



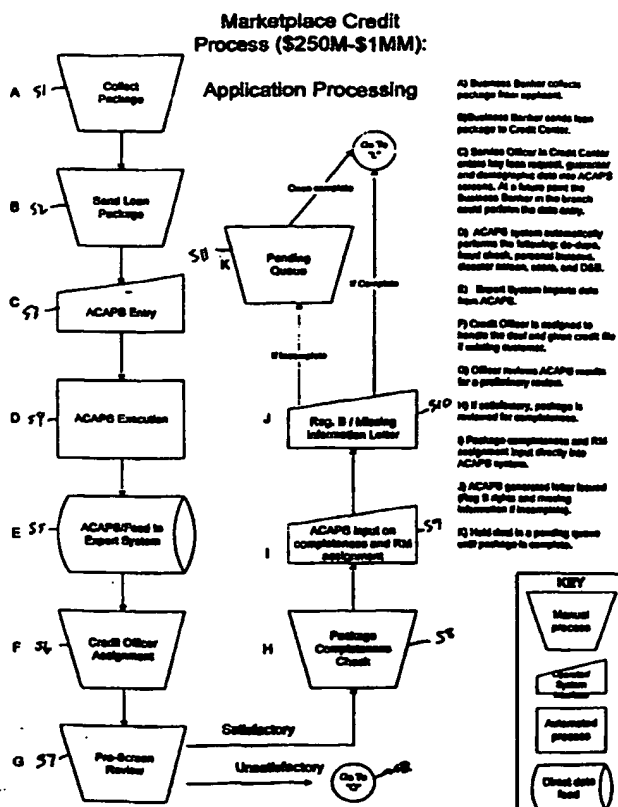
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(54) Title: METHOD AND SYSTEM FOR COMMERCIAL CREDIT ANALYSIS

(57) Abstract

This invention describes a method and system for assimilating data, applying reasoning mechanisms, and emulating the thought processes of a credit officer (53) for commercial credit analysis. The system aids a credit officer (53) in the risk assessment and completion of a loan package. The system thereby improves loan turnaround time and customer service, improving loan servicing capacity, quality, and consistency of credit decisions, and reducing costs. The system includes: 1) a conventional data base management system subsystem that manages and collects data via electronic access and end-user data entry; and 2) a decision support expert system that applies a knowledge base (30) and inference engine (25) (collectively known as an assessment model) utilizing an evidence tree and a generalized weighting approach to analyze credit requests.



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TITLE OF THE INVENTION

Method and System for Commercial Credit Analysis.

FIELD OF THE INVENTION

- 5 This invention generally relates to computerized commercial credit analysis and, more particularly, a method and system for assimilating data, applying reasoning, mechanisms, and emulating the thought processes of a credit officer.

BACKGROUND OF THE INVENTION

- 10 Commercial credit evaluation typically is a process that requires a great deal of expertise. The existing approach to the credit process may consist of a number of primarily manually-driven steps. These steps can include: (1) Acquisition, the process of receiving the loan application, and pipelining and tracking the application; (2) Pre-Underwriting, a process typically conducted by
15 service officers, including searching databases and other computer assisted activities; (3) Underwriting, which is typically conducted by credit officers and other personnel with computer assistance, including spreading of business financials, assigning of debt rating, and evaluation of risk; (4) Approval, typically conducted by a credit officer, which involves reviewing the package, obtaining
20 signatures, and making decision notification; (5) Documentation, including creation of appropriate legal documents; (6) Booking, including typically computer assisted ledger recording and disbursing of funds; (7) Maintenance, which is usually conducted by personnel with computer assistance, including monitoring the portfolio and performing reviews; (8) Collection, which includes
25 classified credit reporting and remedial management; and (9) Management Information System (MIS), typically computer systems that create reports.

Present primarily personnel-heavy elements of the process for determining credit can be very inefficient. For example, the turnaround time for loan

application packages can often be several weeks or more. In addition, inconsistencies may result from the subjective nature of the process, even when personnel are highly trained and use clear guidelines. Further, the decisionmaking process involves an extremely wide range of possible decisions, which can often
5 require a great deal of experience.

As a result of these factors, conservative decisions may sometimes be made by the credit officer, resulting in loss of business. Conversely, poor decisions are sometimes made which result in loan loss.

A useful method for assisting with the decisionmaking process such as that
10 necessary for loan analysis is artificial intelligence systems. Artificial intelligence systems first began to be developed in the early 1950s, beginning in the medical diagnostics field. In the 1980s, tremendous growth in application of artificial intelligence occurred, including application to the finance arena; this growth has resurged in the 1990s.

15 A particular type of artificial intelligence application is an expert system. Expert systems are used for problem solving areas such as diagnosis, analysis, and classification and are good at dealing with ill-defined problems. A number of different approaches using expert systems have been taken in dealing with either the credit recommendation or the decision type of problem as applied to loan
20 analysis. These approaches include decision trees and evidence trees. Typically existing methods for using decision trees is to apply a series of gates with probabilities and degrees of certainty to the gates. Based on the results of these gate analyses, a recommendation can be developed.

Another approach deals with loan analysis on a case-specific reasoning
25 basis; this approach is often referred to as frame-based, a technical term for making actual comparisons to established norms.

Yet another approach is to use simple types of procedural rule-based analysis, such as a series of rules. In this approach, each yes or no answer to a

particular rule results in another rule, depending on the answer. By stringing together such rules and answers, a simplified credit evaluation can be developed.

An example of existing art for an expert system for credit evaluation is O. Castillo and P. Melin, An Expert System for Credit Evaluation, (IN Proceedings; The Second Annual International Conference on Artificial Applications on Wall Street: Tactical and Strategic Computing Technologies, Proceedings of AI Applications on Wall Street, April 1993, Software Engineering Press). This system is a very simple procedural rule-based approach that utilizes a series of questions for which the user answers yes or no. Drawbacks of the system include that it is inflexible and not easily transferrable to other applications. It contains no graphical interfaces that ease user understanding of the loan application process. No explanations are included.

Another example of existing art is R. Beshinske, et al., Margin Credit Evaluation System (IN Proceedings; The First International Conference on Artificial Intelligence on Wall Street (Cat. No. 91TH0399-6) Oct. 1991). This system evaluates a portfolio of securities for an individual company based on a one-time up front review. The system utilizes a weighting of factors based on a statistical regression technique. The system was not designed for loan analysis. It does not provide the user with guidance or extensive graphical analysis assistance with decisionmaking.

An example of existing patented art is Saladin, et al., Expert Credit Recommendation Method and System, U.S. Pat. No. 5,262,941. This system utilizes a series tables and a decision matrix to determine an overall credit recommendation. The system requires input of information by a user in a particular predetermined series of queries. Information cannot be provided out of sequence. The system uses a scoring system to proceed through the series of tables and decision matrix in reaching a decision. No weighting method is used for scoring the loan application.

In general, many of these approaches are very simple, using only very basic types of processes. In addition, the approaches to loan analysis that have been developed in the existing art are only applicable to very limited sets of circumstances, such as determining margin loans, rather than commercial credit situations. They also do not provide extensive assistance to the user in understanding the factors that make up the decisionmaking process or explain their purpose. In general, they are not designed with a graphical or otherwise user-friendly format.

10 SUMMARY OF THE INVENTION

It is an object of the present invention to provide an expert system to assist with the analysis and evaluation of loan applications. It is a further object of the present invention to provide a system that provides for input of data supporting automatic evaluation of a loan application.

15 It is further object of the present invention to check automatically the inputted data for completeness.

It is a further object of the present invention to transmit automatically the inputted data to an expert analysis system for operation of a loan evaluation and decision assessment model.

20 It is a further object of the present invention to use automatically an evidence tree analysis method with weights for different nodes and factors in the evidence tree.

It is a further object of the present invention to flag automatically within the evidence tree risk acceptance criteria (RAC), underwriting guideline failure, and overriding rules.

25 It is a further object of the present invention to provide automatically a summary narrative of exceptionally positive and negative weights.

It is a further object of the present invention to identify automatically qualitative aspects of weights involved in the assessment model.

It is a further object of the present invention to make automatically a loan decision recommendation.

5 It is a further object of the present invention to provide automatically a summary analysis of assessment model results.

It is a further objective of the present invention to provide automatically alternative analyses for the loan decision.

10 It is a further object of the present invention to seek automatically relevant data in publicly available databases.

It is a further object of the present invention to develop and print automatically appropriate forms.

15 The invention comprises a system that stores critical credit data, analyzes and makes recommendations for credit requests, and communicates key data to external devices within a single system. Two distinct components are included within the invention: 1) a conventional relational data base management system that manages and collects data via electronic access; 2) user data entry and reporting subsystem; and 3) a decision support expert subsystem that applies a knowledge base and inference engine (together known as the assessment model) to
20 analyze credit requests.

25 An important aspect of the invention is the graphical interface that works in conjunction with the expert system to provide the user with specific information about the weights and other factors involved in the decisionmaking process. The system allows the user to input information as the user wants, without following a specific procedure or order. The graphical interface includes the specific weights assigned by the system, rules applied, access to explanations, and flags and tags that indicate key aspects of the information presented. In addition, the system provides a summary and collection of important data and presents a narrative

summary to accompany the credit recommendation it makes. This information allows the user, typically a credit officer, to understand in much greater detail the specific factors involved in a credit decision, the relative weights of these factors, and how the loan application information impacts these factors. As a result, the user can identify specific strengths and weaknesses and use this information in making the final loan decision.

The data base management system serves as a central server repository for data storage and retrieval. In addition, this component serves as a vehicle for exportation of data, such as MIS data. The assessment model assimilates and organizes client information and produces recommendations and supporting documentation. Results of the credit analysis are available for further inspection and manipulation by the user.

To achieve the stated and other objects of the present invention, as embodied and described below, the invention includes entering and importing via links with databases data relating to a loan application into a data management system, automatically checking the entered data for completeness, automatically generating relevant documents for the loan applicant relating to the application, and automatically transmitting the data to an expert analysis system. In addition, the invention includes the step of the expert analysis system automatically assessing and recommending a loan decision using an assessment model and the data. If the loan application is approved, the invention automatically generates reports relating to the loan and transmits applicant information from the expert analysis system to the data management system.

To achieve the stated and other objects of the present invention, as embodied and described below, the invention further includes automatically preprocessing data to align assessment model elements based on the profile of the loan application, automatically analyzing inputted data in preparation for input to evidence tree elements, automatically executing a debt rating model, which is a

validated risk rating score, automatically evaluating the evidence tree elements based on the weights assigned and the inputted data, automatically determining a risk rating, automatically determining an overall risk rating to the obligor, automatically calculating the relationship profitability after all direct and indirect
5 expenses, automatically producing an explanation of strengths and weaknesses of the loan application based on inputs to and results of assessment model analysis, and automatically making a loan recommendation.

Additional objects, advantages and novel features of the invention will be set forth in part in the description which follows, and in part will become more
10 apparent to those skilled in the art upon examination of the following or may be learned by practice of the invention.

BRIEF DESCRIPTION OF THE DRAWINGS

In the drawings:

15 Figures 1a-1c contain block diagrams of the Application Processing steps, the Underwriting steps, and the Documentation & Booking steps of the overall system process.

Figure 2 is a simple overview of the various components of an embodiment of the present invention.

20 Figure 3a is a simple schematic overview of the system of the present invention; Figure 3b is a schematic diagram of aspects of expert system portability.

Figure 4 is a flow diagram of the process of user data input and operation of the system for an embodiment using specific steps for a large lending institution.

25 Figure 5 is a sample login screen for the system.

Figure 6 is a sample startup screen for the system.

Figure 7 shows a pulldown menu for the startup screen.

Figure 8 is a pop-up window for opening or searching for a file.

Figure 9 is a pulldown menu for inputting data.

Figure 10 is the pop-up window for inputting business data.

Figure 11 is the pop-up window for inputting relationship and business details.

5 Figure 12 is a window for customers/suppliers for relationship details data entry.

Figure 13 is the pop-up window for business financials.

Figure 14 is the pulldown menu for analyze data.

Figure 15 is the pop-up window for business income.

10 Figure 16 is the window for conversion of business assets.

Figure 17 is the window for key coverage ratios.

Figure 18 is the window for assessment.

Figure 19 is the window for credit assessment.

Figure 20 is the pop-up window for explanations.

15 Figure 21 is the pop-up window for view graph.

Figure 22 is the pulldown menu for complete approval package.

Figure 23 is the first part of the window for CAS.

Figure 24 is the second part of the window for CAS.

Figure 25 is the third part of the window for CAS.

20 Figure 26 is the window for view report for CAS.

Figure 27 is the first part of the window for credit memo.

Figure 28 is the second part of the window for credit memo.

Figure 29 is the window for view report for credit memo.

Figure 30 is the pulldown menu for administration.

25 Figure 31 is the file management pulldown menu.

Figure 32 is the window for change status.

Figure 33 is the comments window for change status.

Figure 34 is the first node and branches of an example evidence tree process.

Figure 35 is a branch for the repayment sources node.

Figure 36 is the first node and branches for an example evidence tree process with nominal weights included.

Figure 37 is the repayment sources node and selected branches.

Figure 38 is a window containing details for a selected sample branch and series of nodes for an actual credit request evaluated by the system.

Figure 39 contains a window with nodes and branches showing flags and tags and an explanation from the system.

Figure 40 is a window with sample sections of an evidence tree with details highlighted.

Figure 41 presents an example for an embodiment of the present invention containing value totaling at a node.

Figure 42 shows an example for an embodiment of the present invention for value totaling at a node.

Figure 43 shows an embodiment of the present invention indicating how a risk factor may not be applicable in a particular case.

Figure 44 presents a feature of an embodiment of the present invention that allows the user to modify data and view the results immediately.

DETAILED DESCRIPTION

The present invention solves the problems of the existing art by utilizing powerful analysis tools within a generalized and malleable framework to automatically perform loan analysis functions, thus eliminating subjective, manual and unconnected automated functions presently used. The tools of the present invention include graphical interfaces that provide clear ongoing explanation of the system's processes. These graphical interfaces allow the user to identify the

specific strengths and weaknesses relating to a particular loan application. The present invention also provides a powerful model for developers and management within loan processing organizations because the graphical interface provides a clear understanding of the logic process used in making loan determinations.

5 An important aspect of the invention is the interface that works in conjunction with the expert system to provide the user with specific information about the weights, rules, and other factors involved in the decisionmaking process. The system allows the user to input information as the user wants, without following a specific procedure or order. The graphical interface includes the
10 specific weights assigned by the system, access to explanations, and flags and tags that indicate key aspects of the information presented. In addition, the system provides a summary and collection of important data and presents a narrative summary to accompany the credit recommendation it makes. This information allows the user, typically a credit officer, to understand in much greater detail the
15 specific factors involved in a credit decision, the relative weights of these factors, and how the loan application information impacts these factors. As a result, the user can identify specific strengths and weaknesses and use this information in making the final loan decision.

 An embodiment of the invention comprises a client/server computer
20 program that stores critical credit data, analyzes and makes recommendations for credit requests, and communicates key MIS data to external devices within a single system. Two distinct components are included within the system: 1) a conventional data base management system that manages and collects data via electronic access and end-user data entry; and 2) a decision support expert system
25 that applies a knowledge base and inference engine (together known as the assessment model) to analyze credit requests and the results of these analyses.

 The data base management system element of the invention serves as a central server repository for data storage and retrieval, both as inputted by the user

and by linkages, such as by networks, to external databases, housed in systems such as mainframes, Wide Area Networks (WANs), Local Area Networks (LANs), and servers. In addition, this component serves as a vehicle for exportation of data. The expert system component assimilates and organizes client information
5 and produces recommendations and supporting documentation. In addition, the expert system provides the capability for contacting other databases, including publicly available databases, retrieving information from those databases, such as UCC, litigation, and lien information, and incorporating that data into the analysis. Results of the credit analysis are available for further inspection and manipulation
10 by a user.

In an embodiment of the invention, the assessment model is an automated process that utilizes an evidence tree that includes a generalized weighing approach to represent how credit officers evaluate objective and subjective elements of a credit decision. The weighing includes elements that add strength to
15 a decision, by adding positive points, and elements that detract from a decision, by subtracting points. The system groups risk elements into logical groups through the use of intermediary risk concepts or nodes. Some of the elements raise red flags that are noted during the underwriting process and may require comment from a credit officer. Some of the risk elements are overriding rules that
20 "override" the weighing process, thereby driving the decision. Risk elements are identified as either objective or subjective.

In an embodiment of the invention, commercially available software may be used to develop some aspects of the system, including a user interface consisting of a series of screens in a Windows™-based format. It is understood
25 that the software and operating system used in this embodiment are representative only; many similar available system may be used to build and display the various components of the system. Commercially available software used in an embodiment includes the following: 1) Delphi 2.0 from Borland Corporation of

Scotts Valley, California, for the front end data entry, functions associated with the front end, and reporting; 2) Sybase SQL Server from Sybase, Inc., of Emeryville, California, which is utilized as the Data Base Management System (DBMS) for storage and manipulation; 3) ART*Enterprise 2.0 from Brightware, Inc., of
5 Navato, California, which is utilized to build the assessment model, perform the loan analysis, and display the loan characteristics through a graphical interface; 4) Orpheus, for additional data base components, and SysTools and additional system utilities by TurboPower of Colorado Springs, Colorado; InfoPower for enhanced data base manager components by Woll2Woll of San Jose, California; ABC
10 Advanced Business Components by Object Software Technology PTY, Ltd., of Queen Victory Terrace ACT 2600 Australia, for various system components; and QuickReports by QuSoft AS of Oslo, Norway, for reporting.

The evidence tree modeling of logic utilized in reaching a credit decision has a number of benefits, including the following. It mimics the common sense
15 approach that people utilize to make many decisions, e.g., pros (positive elements) and cons (negative elements). It allows for modeling of decision logic without a lot of rules. The system has the ability to represent all the decision logic in one part of the expert system program. It allows credit experts to compare the relative importance of elements (e.g., element "x" is twice as important as element "y")
20 and to see how positive elements might be offset by negative ones. The use of intermediary risk concepts or nodes helps to express clearly the risk elements utilized because this approach 1) is beneficial in understanding and evaluating the risk elements and their importance during the model development process, 2) makes future modifications to the risk assessment easy to execute, and 3) results in
25 a simple method for the system to generate decision explanations for particular loan applications or other decisions(strengths and weaknesses). The system includes the capability to identify how much subjective information either adds to or detracts from an application.

Another key aspect of the expert system of the present invention is a conventional data base input and tracing system that has functionality to perform financial calculations and manipulations and other functions, such as the creation of reports and the generation of textual analyses with the evidence tree results. In addition, such features as tallying of flags and other signals relating to specifics of data input for a particular scenario are included in this element of the system.

A particular feature is listing of strengths followed by weaknesses where the loan application is approved, and weaknesses followed by strengths where declined. This approach highlights to the user the most important factors in the particular application first.

References will now be made in detail to an embodiment of the invention, an example of which is illustrated in the accompanying drawings.

Figures 1a-1c contain a block diagram of an overview of the steps involved in a typical loan analysis process, using information specific to the process at a bank such as Citibank. The description of this process is intended to illustrate a possible range of steps in a loan application. It is not intended to reflect all aspects of the present invention, nor is it intended to limit the invention to the steps presented. These steps merely reflect some of the details that may be present as part of the decisionmaking process. The invention has the capability to automate many of these steps. Focus on the details of this process thus highlights the value of the automatic features of the invention, as described further below, and the usefulness for the non-automated steps for the user to access a system and the explanation supporting the process comprising that system.

Figure 1a shows the application processing portion of the process. In step S1 (Collect Package), a business banker collects a package of information from the applicant for credit. In step S2 (Send Loan Package), the business banker sends the loan package to a credit center. In step S3 (entry in the ACAPS system), a service officer in the credit center enters key loan request, guarantor, and

demographic data into the Automated Credit Application Processing System (ACAPS) screens (ACAPS is a mainframe credit processing system internal to Citibank in this example). At a future point, the business banker in the branch can perform the data entry for the applicant. In step S4 (ACAPS Execution), the

5 ACAPS system automatically performs the following tasks: de-dupe, fraud check, personal bureaus, disaster screen, score, and D&B.

In step S5 (ACAPS/Feed to Expert System), the expert system imports data from ACAPS. In step S6 (Credit Officer Assignment), a credit officer is assigned to handle the deal and is given the credit file if the matter involves an existing

10 customer. In step S7 (Pre-Screen Review), the credit officer preliminarily reviews the ACAPS results, and determines if the results are satisfactory or unsatisfactory.

If the credit officer determines that the results of the Pre-Screen Review are unsatisfactory, the process proceeds to step S17 (Expert System Generates Risk Assessment & Recommendation Documentation). If the credit officer determines

15 that the results are satisfactory, the process proceeds to step S8 (Package Completeness Check). In step S8, the package is reviewed for completeness.

In step S9 (ACAPS input on completeness and RM assignment), the package completeness and RM assignment directly into the ACAPS system. In step S10 (Reg. B/Missing Information Letter), an ACAPS generated letter is issued

20 that contains Reg. B rights and missing information, if the package is incomplete. If the package is complete, the process proceeds to step S12 (Input Financial Data Into Expert System), which constitutes the first step in the next stage of the system, Underwriting, shown in figure 1b. If the package is incomplete, the process proceeds to step S11 (Pending Queue), where the deal is held in a pending

25 queue until the package is complete. Once the package is complete, the process proceeds to step S12.

Figure 1b shows the Underwriting portion of the process. In step S12, an underwriter inputs business financial and personal data into the expert system and

answers questions required for the Assessment Model. In step S13 (Expert System Assessment), the expert system analyzes financial trends, assigns debt rating, identifies sources of repayment, highlights strengths and weaknesses, and makes recommendations.

- 5 In step S14 (Lien Search), UCC, litigation, and lien search is ordered on-line if the Expert System results are satisfactory; results are input into the Expert System. In step S15 (Credit Officer Review), the credit officer reviews the expert system assessment, comments on red flags and weaknesses identified, and makes a recommendation. In step S16 (Site Visit if Necessary), the credit officer performs
10 a site visit if necessary for approval.

- In step S17, the Expert System generates an output package on its assessment (see further description of Expert System below). The credit officer then recommends either approval or decline. If the credit officer recommends decline, the system proceeds to step S20 (Second Level of Decline Review). If the
15 credit officer recommends approval, the system proceeds to step S18 (Trade Checks). In step S18, trade checks are requested. In step S19 (2nd and 3rd Initial Review (if required), a 2nd and 3rd credit officer review the loan approval package. These credit officers either recommend approval or decline. The process then proceeds to step S21 (Decision Fed to ACAPS).

- 20 In step S20, a second credit officer reviews the decline decision and notes concurrence. In step S21, the credit decision is fed into ACAPS by the Expert System. If the package comprises a counter product, amounts are included. If the decision was an approval, the procedure proceeds to step S23 (Perform/Review Final Checkings), shown on Figure 1c as part of the section on Documentation &
25 Booking; if the decision was a decline, the procedure proceeds to step S22 (ACAPS Decline Letter), shown in figure 1b. In step S22, ACAPS generates a decline letter. Following step S22, the procedure proceeds to step S34 (ES Data Feed to ACAPS).

In step S23, shown in the section of the procedure on Documentation & Booking in figure 1c, a trade check is reviewed, and a bank check is performed. If the checks are unsatisfactory, the process returns to step S17. If the checks are satisfactory, the process proceeds to step S24 (ACAPS Identifies Documentation
5 Required). In this step, based on deal approval information input from the Expert System, ACAPS identifies typical documentation required.

In step S25 (Legal Documents Generated), the service officer generates legal documents from ACAPS. In step S26 (Review Documents Generated), a credit officer reviews the documents and forwards them to the customer. If the
10 documents are unsatisfactory, the process returns to step S25.

If the documents are satisfactory, the process proceeds to step S27 (Record in ACAPS Date Documents Sent). In step S27, the date the documents are sent is recorded directly into ACAPS screens. In step S28 (Doc. Quality Review), upon receiving the documents from the customer, they are reviewed to ensure that they
15 are properly executed. If unsatisfactory, the process returns to step S25.

If satisfactory, the process proceeds to step S29 (Prepare Loan Booking Forms). In this step, loan booking forms are prepared by the service officer. In step S30 (File UCC), a UCC filing is ordered on-line through Intercounty Clearance. In step S31 (Booking Forms to Loan Ops.), booking forms are
20 transmitted to appropriate processing offices.

In step S32 (Disburse Funds), funds are disbursed by the loan group. In step S33 (Verify Booking), booking is verified by a Credit Center. In step S34 (ES Data Feed to ACAPS), key demographic, business, and personal financial and subjective risk elements are sent from the Expert System to ACAPS.

25 The present invention automates and links together nearly all aspects of this process, using an expert system to simulate decisionmaking aspects of the process to create a loan decision recommendation. For those aspects of the process that are not or cannot be automated, the present invention serves as a graphical analysis

and support tool that greatly eases the user's decisionmaking and other non-automated functions.

Figure 2 provides a simple overview of the various components of an embodiment of the present invention. A user 1 inputs loan information at a terminal 2. The terminal 2 is connected 3 via a network 4 to hosts 5a and 5b, such as computers, mainframes, local area networks (LANs), servers, or any combination of these systems. The system of the present invention receives inputted data and performs functions to support the loan analysis. The host computers 5a and 5b are connected 6 via a network 7 to various other databases and systems housed on other hosts 8 and 9, such as computers, servers, or LANs. The system of the present invention accesses these other systems 8 and 9 to obtain relevant information and to perform additional analyses. In an embodiment of the present invention, the expert system is housed on one server 5b and other elements of the system operate via another server 5a, which is connected to a mainframe 8 that collects data and performs other analyses.

Figure 3a provides a simple schematic overview of the system of the present invention. The expert system 10 comprises an assessment model using various risk elements and weights. Manual input 11 is provided to the expert system along with other data from a database systems, such as a mainframe link 12. The results 13 of the assessment model are analyses regarding such elements as strengths, weaknesses, loan application RACs, and decisional advice. A credit officer 14 at a terminal 15, such as a personal computer, then reviews and evaluates this information in order to make a credit decision. The expert system 10 comprises a front end element 16 and an assessment model 17 that contains risk elements 18 and weights 19.

Figure 3b is a schematic diagram of aspects of expert system element portability. Portability refers to the usefulness of each element of the system for other applications besides loan application processing in this domain. The front

end of the system 20 includes user screens 21, a data repository 22, and other functions 23, which are of low portability. The front end 20 interfaces 24 with the inference engine 25. The inference engine 25 includes pre-processing 26, assessment mechanisms 27, and explanation mechanisms 28, all of which are of relatively high portability. The inference engine 25 interfaces 29 with the knowledge base 30. The knowledge base 30 contains a highly portable framework 31, which includes a knowledge element 32 that is moderately portable.

Figure 4 contains a flow diagram of the process of user data input and operation of the system for an embodiment using specific steps for a large lending institution. The input and operation process may be divided into four categories: Input 40, Analysis 41, System Assessment 42, and Approval 43. The input process includes the steps of Establish relationship name S40a; Enter names of businesses S40b; Enter names of people S40c; Define business relationship and enter business details S40d; Enter details on guarantors and owners S40e; Enter personal bureau information S40f; Enter loan request details S40g; Spread information in a database system S40h, such as FAST, software licensed from Financial Proforma, Inc.; and Import the spread information into the expert system and review S40i. The Analysis 41 process includes the steps of Establish baseline business income S41a; Analyze surplus personal income S41b; Review DSC calculation S41c; Analyze conversion of assets S41d; Analyze liquidation of assets S41e; Enter and evaluate personal net worth S41f; and Review key ratio analysis S41g.

The System Analysis 42 process includes Execute system assessment S42a; Review risk rating S42b; Review relationship profit S42c; Evaluate system credit assessment S42d; Create/review counter offer S42e; and Review analysis completeness S42f. The Approval 43 process includes Prepare CAS S43a; Prepare credit memo S43b; and After booking change deal status S43c.

The database portion of the invention includes a computerized system for input of information to support analysis of credit. As noted in the system overview, the database element of the invention provides input for the expert system and performs other functions. Data collection and input by the user can

5 include the following broad areas: key company data; loan products requested; management and ownership/guarantors; summary information on personal bureaus, trade checks, bank checks, and supplier references; business financial statements; personal tax returns and personal financial statements; RAC and other requirements; risk elements, weights, and definitions per Assessment Model

10 Functional Specifications.

The system also performs a series of other automatic functions regarding the data. In an embodiment, these functions are performed using computer programs on systems, such as mainframes, LANs, or servers, and access via networks or other connections to other systems, such as mainframes, LANs, or

15 servers. These functions include checking the data for completeness and generating relevant documents.

In an embodiment, the loan assessment and recommendation element of the system identifies key strengths and weaknesses (risks) based on the expert system's knowledge base and data inputted. It also enables the user to identify

20 additional strengths and risks, and note mitigating factors if necessary. In addition, this aspect of the system indicates credit worthiness of the request (range from excellent to very poor). The results of the analysis are correlated to one of the following five outcomes for an overall loan application recommendation: Approve; Decline; Neutral; Defer; and Refer. Refer typically occurs when an

25 overriding rule is triggered, which requires referral to an additional credit officer or another part of a bank for further review. If the system determines that key pieces of information are missing, the recommendation will likely be Defer. Approve, Decline, and Neutral refer to acceptance of the loan, decline of the loan,

and an indeterminate system result, respectively. The user may also override specific factors or the system overall recommendation, for which user actions the system indicates override has occurred. If the system recommends Decline, it has the capability to generate automatically a decline letter for the applicant.

- 5 If the loan requested is not recommended as approved, the invention allows the user to determine specific amount and product mix that would result in approval. Further, the invention allows the user to conduct the following activities at all times: 1) determine basis of decision at time of that decision; 2) enter new data without overwriting the old for certain kinds of information; and 3) consider
10 increase in existing product without deleting old request or adjusting new request.

Selected fields in each input screen are color coded (red) to identify that the information is mandatory for the execution of the debt rating model.

- Assessment execution occurs based on a command from the operator either through the main menu or the speed button. All data required from the data bases
15 is retrieved automatically to perform the assessment, and the DRM and profitability assessment are executed. The assessment generally includes implementation of the evidence tree, described further below. Other steps by the expert system may also be performed, such as automatically analyzing financial records, assigning a debt rating, and identifying sources of repayment. In an
20 embodiment, these functions are performed using computer programs on systems, such as mainframes, LANs, or servers, and access via networks or other connections to other systems, such as mainframes, LANs, or servers.

- A counter-offer worksheet is provided so that the officer can vary the credit products and amounts requested to determine the optimal mix. The screen
25 displays the original requests next to a series of 5 columns of alternate mixes. As the officer varies each scenario, a shortcut button to the assessment model is available for an instant update to a new assessment. The results of all prior

scenarios are visible on the screen for comparison purposes, even after a new assessment has been completed.

The system also automatically generates appropriate documents, such as applicant approval documents and legal documents, and forms relating to the loan.

5 The database element of the system transmits this information, as appropriate, to the expert system component. The system also has the capability to search publicly available databases, such as databases containing Uniform Commercial Code (UCC), litigation, and lien information, and to analyze retrieved information using the expert system.

10 The Credit Approval Summary (CAS) includes features that produce these results based on information already entered in through database functions or the Expert System, or calculated by the Expert System (e.g. facilities, company information, product information, debt rating, RAC exceptions). The CAS enables the user to enter supplementary information on, for example, the purpose of the
15 CAS or any individual product if deemed necessary, and to make changes to other fields; the invention also allows combination of facilities for all related borrowers on same CAS and saves each CAS for historical reference and analysis.

After the assessment, the credit officer is provided with comment boxes to view or input the following comments: weaknesses and mitigation, red flag
20 comments, and reason for variance from system recommendation (if applicable). The results of the section being commented on at all times remain on the screen, so that the user can review the results while formulating comments. A comment field is also included that allows the user to comment on issues uncovered with the assessment results.

25 Figures 5-33 contain sample screens for the user interface for the system. These sample screens are tailored to a specific loan institution, Citibank, but are not intended to limit or restrict the method and system of the present invention. The sample screens are intended to provide representative examples of system

input and operation information relevant to a loan application; they are not intended to comprehensively describe all possible inputs and functions of the invention.

Figure 5 presents the login screen for the front-end portion of the system, for an example lending institution such as Citibank. A window 50 contains a menu bar 51. A user inputs a user name 52 and a password 53. The user then selects a button for OK 54 to continue or Cancel 55 to reenter information.

After the user selects OK 54, the system proceeds to a startup screen, shown in Figure 6. A window 60 contains a menu bar 61 and a tool bar 62. The user may also select pull-down menus for File Management 63, Administration 64, or Help 65. The toolbar functions include buttons for Business details 62a, Owner/guarantor 62b, Loan request 62c, Personal checks 62d, Business financials 62e, Business income analysis 62f, Surplus personal income analysis 62g, Debt service coverage analysis 62h, Conversion of assets analysis 62i, Liquidation of assets analysis 62j, personal net worth 62k, Key analysis ratios 62m, Launch assessment 62n, Prepare CAS 62p, and Prepare memo 62q.

As shown in Figure 7, if the user selects the pull-down menu for File Management 63, menu options appear for Open 66 and Exit 68. Note that highlighting a menu option, such as Open 66, produces an explanation 67 in the comments area 68 at the bottom of the window 60. If the user selects Open 66 in Figure 7, a pop-up window 70 appears, as shown in Figure 8. In addition to the pop-up window 70 appearing, selection of this option results in additional pull-down menu activation. These additional pull-down menus include Input Data 71, Analyze Data 72, Complete Approval Package 73, and View Reports 74. The pop-up window 70 contains search functions for files to open. The search areas are selectable using a pull-down menu for Available Keys 75. Within the search area, Search Values 76 may be provided by which the user may search. The search results appear within a subwindow 77 of the pop-up window 70. The pop-

up window 70 also contains buttons for adding a new item 78, adding a new request 79, modifying an existing item 80, viewing a selected item 81, or closing 82 the window 70. The user scrolls through the list using the toolbar items 83.

As shown in Figure 9, the user may select a number of items from the
5 pulldown menu for Input Data 71. These items include Businesses 90, People 91, Relationship & Business Details 92, Personal Guarantor/Owner 93, Personal Checks 94, Loan Request 95, and Business Financials 96.

In Figure 9, if the user selects Businesses 90 from the Input Data 71 pulldown menu, a pop-up window 100 appears, as shown in Figure 10. The user
10 may select a business entity for inputting data from a pulldown menu of choices of Available Keys 101, and search by inputted Search Text 102. The search results appear within a subwindow 103. Once the user has selected an item, the user scrolls through the list using the toolbar 104 within the window 100. Buttons are also available for adding an item 105, modifying an existing item 106, deleting an
15 existing item 107, or closing 108 the window 100.

In Figure 9, if the user selects Relationship & Business Details 92 from the Input Data 71 pulldown menu, a pop-up window 110 appears, as shown in Figure 11. The user may search among Available Keys 111 using inputted Search Text 112. A list appears 113 based on search results. The user scrolls through the list
20 113 using the toolbar 114. The user tags each entry for business type classifications using buttons to set or delete the tag; these tags include Primary 115, Related Borrower 116, and Corporate Guarantor 117. In addition, if the user designates the business as a Corporate Guarantor 117, the user may add details by selecting the Details button 117a. In addition, the user can add Relationship
25 Details 118. A button is also available to Close 119 the pop-up window 110 when the user is finished adding or modifying information.

In Figure 11, if the user selects Relationship Details 118, a series of windows appears, which include Relationship Profile 120, Customers/Suppliers

121, Asset History 122, Liability History 123, Business Checks 124, and Financial Information Quality 125. Figure 12 presents the window 126 for Customers/Suppliers 121. The pop-up window 126 for Customers/Suppliers 121, includes groups of tags for the user to designate. One group of tags is for Sales 5 127, which contains a number of subtags: Largest Customer % 127a; Second Largest Customer % 127b; Third Largest Customer % 127c; Major Customer name 127d; Taking Customer Concentration Into Account subtag group 128, including Customer Quality 128a, Customer Stability 128b, and Customer's geographic concentration 128c; also included are a button for calculating 129a a 10 Conversion Factor on Receivables 129b and a Liquidation Factor on Receivables 129c, based on information inputted on sales. A second tag group is for Purchases 130, which includes subtags for Largest Supplier % 130a, Supplier Risk 130b, and Access to Many Different Suppliers? 130c. The third tag group is for Industry 131, which includes subtags for Industry Prospects 131a, Competitive 15 Environment 131b, and Regulatory Environment 131c. The user may also select buttons to Save 132 information or to Cancel 133.

In Figure 9, if the user selects Business Financials 96 from the Input Data 71 pulldown menu, a pop-up window 140 appears, as shown in Figure 13. A series of windows is available from which the user may scroll among. These 20 windows include Income Statement 141, Related Income Statement 142, Assets 143, Liabilities and Net Worth 144, and Assessment Ratios 145. Figure 13 presents the information for Income Statement 141. This information includes a table of information 146. The table 146 includes rows of information regarding Net Sales 146a, Gross Profit 146b, Officers Compensation 146c, Wages and 25 Salaries 146d, Depreciation and Amortization 146e, Bad Debt Expense 146f, Other SGA Expense 146g, Total Operating Expenses 146h, Operating Profit 146i, Other Items 146j, Interest Expense 146k, Taxes 146m, Extraordinary Items 146n, Net profit 146p, and Div and Oth Adj to Ret Earn 146q. The table 146 contains

columns for Full Year Actuals 146r, Interim 146s, and Projected 146t. The window 140 also contains buttons for Import from FAST and Display 147, Display Only 148, and Go To FAST 149. The user may Save 150 or Cancel 151 inputted information.

5 Figure 14 presents the pulldown menu for Analyze Data 72. This pulldown menu includes Relationship Profitability Analysis 160, Business Income 161, Business Mortgages 162, Surplus Personal Income 163, Debt Service Coverage 164, Conversion of Business Assets 165, Liquidation of Business Assets 166, Mortgage Loan to Value 167, Personal Net Worth 168, Key Coverage Ratios 169, and Assessment 170. If the user selects Business Income 161 from the Analyze
10 Data 72 pulldown menu, a pop-up window 180 appears, as shown in Figure 15. The window 180 includes tabular information, including rows of information regarding Business Net Income 180a, Business Depreciation + Amortization 180b, Business Interest 180c, Dividends + Distributions 180d, Other Adjustments 180e,
15 and Business Income 180f; and columns for Most Recent Fiscal Year Financials 180g, Interim Financials 180h, Projected Financials 180i, and Utilized Figures 180j. The window 180 also contains a section for entering Comments 180k. The user may Save 181 or Cancel 182 inputted information.

 In Figure 14, if the user selects Conversion of Business Assets 165 from the
20 Analyze Data 72 pulldown menu, a window 190 appears, as shown in Figure 16. The window 190 allows the user to input information tabularly regarding conversion of business assets. The columns for the tabular information are for Most Recent Fiscal Year Financials 191, Interim Financials 192, Projected Financials 193, Utilized Figures 194, Conversion Factor 195, and Conversion
25 Value 196. The rows for the tabular information include user input for Eligible Receivables 197, Projected Percentage Change 198, and Projected Dollar Change 199; the system then determines Projected Eligible Receivables 200; the user inputs rows for Inventory 201 and Projected Inventory 202. The user may select

the Switch button 203 to change Projected Inventory 202 information. The rows for tabular information also include Collateral 204 and Eligible Assets for Conversion 205. The user may select the Switch button 206 to change Collateral information. The system determines Projected Eligible Assets for Conversion
5 207; and the system determines the Conversion of Business Assets Coverage Ratio Based on 208 Eligible Assets 209. The window 190 also includes a list of Citibank Facilities 210, which includes information on Product 210a, Outstanding 210b, and Amount 210c; the user may scroll through the list of Citibank Facilities 210 using a toolbar 211. The user may Save 212 or Cancel 213 inputted
10 information.

In Figure 14, if the user selects Key Coverage Ratios 169 from the Analyze Data 72 pulldown menu, a window 310 appears, as shown in Figure 17. The window 310 allows the user to input information regarding Summary of Key Coverage Ratios in boxes. The boxes include Primary Repayment Source 311,
15 with rows for Debt Service 311a and Conversion of Business Assets 311b; Additional Repayment Source 312, with a row for Liquidation of Total Assets to Non-Mortgage Facilities 312a; Distress Coverage (If Applicable) 313, with rows for Full Amortization Debt Service 313a and Non-Mortgage Scheduled Debt Coverage 313b; a list of information on Mortgages Only 314, which includes
20 information on Product 314a, Amount 314b, Appraised Value 314c, Loan to Value (%) 314d, and Special Use 314e; and Others 315, including rows for Liquidation of Business Assets to Total Facilities 315a, Liquidation of Personal Assets to Total Facilities 315b, and Full Amortization Debt Service (If Applicable) 315c. The user may select the button to Close 316 when data input is finished.

25 In Figure 14, if the user selects Assessment 170 from the Analyze Data 72 pulldown menu, a window 320 appears, as shown in Figure 18. The window 320 allows the user to input information regarding Assessment. The information may be inputted into lists and a box. The first list contains information on Requests and

Counteroffers 321, including information on Counter Offer Name 321a, DRM_Value 321b, and Credit Assessment 321c. The user may scroll the list using a toolbar 322. The user may select a button for Analyze 323 to assess a selected item. A second list contains information on Products in Request/Counter Offer
5 324, including a selection for Borrower 324a, and list items for Product 324b, Amount 324c, Rate 324d, Amortization 324e, Maturity Date 324f, and Status 324g. The user may scroll the list using a toolbar 325. After the user has selected the button for Analyze 323, the system provides information into a box for Analysis Results 326, including Analysis Status 326a, which tells the user if the
10 user has entered additional data since performing the analysis, Decision Recommendation 326b, which is the system's recommendation, Credit Quality 326c, containing the system credit assessment and rating, DRM 326d, which is the obligor risk rating, ROA 326e, Debt Service Coverage 326f, Conversion of Assets Coverage 326g, Liquidation of Business Assets Coverage 326h, and Personal
15 Asset Coverage 326i. The user may also select buttons for DRM 327, Credit Assessment 328, and Profitability 329. The user may select the button to Close 330 when finished.

In Figure 18, if the user selects the button for Credit Assessment 328, a window 340 appears, as shown in Figure 19. The window 340 indicates the
20 Decision Recommendation 341, and provides information on Credit Quality 342, Rating 343, Overrides 344 that have been triggered, RAC Fails 345, Red Flags 346, Underwriting Guideline Fails 347, and other details 348. The details 348 include a system created narrative summary of strengths and weaknesses, by level of importance. In addition, the window 340 contains a Subjectivity Report 349,
25 which provides a summary of subjective information making up the assessment, and a box of information regarding Top Level Summary 350 in tabular format of the nine major risk categories, which include columns for Assessment 350a and Rating 350b, with rows for Compliance 350c, Loan Structure 350d, Company

Background 350e, Industry 350f, and Banking Relationship 350g; a second set of columns for Assessment 350h and Rating 350i correspond to rows for Character 350j, Information Quality 350k, Sources of Repayment 350m, and Financial Condition 350n. The user may select buttons for Explanations 351 or View Graph 352; or the user may select the button to Close 353 the window 340.

In Figure 19, if the user selects the button for Explanations 351, a pop-up window 355 appears, as shown in Figure 20. This pop-up window 355 contains sample explanatory information. The user may select the button to Close 356 the window 355.

10 In Figure 19, if the user selects the button for View Graph 352, a pop-up window appears, as shown in Figure 21. Once the view graph information import is complete, a pop-up window 360 appears, which prompts the user that the import and preprocessing is complete. The user may select from a pop-up window 360 the button for OK 361a to then view window 360. The window 360 also includes
15 a series of shortcut buttons on a toolbar 362. These buttons include Short Overview 362a, which opens the node browser overview window, Flip View Left/Right 362b, which toggles the node view from right to left or top to bottom, Set Source Node 362c, which sets the selected node to the source node and recalculates the display, View Parents 362d, which toggles the generation of parent
20 objects in the node browser, View Children 362e, which toggles the generation of child objects in the node browser, View Cousins 362f, which toggles the generation of cousins in the node browser, and Refresh 362g, which recalculates the display based on the current object model. (The credit assessment portion of the system is described further below.)

25 Figure 22 presents the pulldown menu for Complete Approval Package 73. The pulldown menu includes CAS 370, Credit Memo 371, and Print Package Components 372. As shown in Figure 22, if the user selects CAS 370 from the Complete Approval Package 73 pulldown menu, a window 380 appears, as shown

in Figure 23. The window 380 allows the user to view Credit Approval Summary information. This information includes a box for Credit Approval Summary 381, including New 381a, Increase 381b, Review 381c, Revision 381d, Extension 381e, Classification 381f, and Cancellation 381g. The user may enter information
5 regarding Relationship Name 382, Approving Unit B&P Credit Center Branch 383, Adverse Classification 384, Date 385, Revision Date 386, Previous Report Date 387, Primary Business Address 388, and Business and SIC 389. The window 380 contains a box for Facilities 390, which includes Total Facilities 390a, a list containing Product 390b, Amount 390c, and net Change 390d, and a toolbar 390e
10 for the user to scroll the list. The window 380 contains a second box for Key Background Information 391, including information on Business Since 391a, Borrower Since 391b, Depositor Since 391c, FYE 391d, Sales 391e, Employees 391f, CPA 391g, and Quality 391h. The user may select buttons to View Report 392 and to Close 393.

15 In Figure 22, if the user continues scrolling down the page, the next part of the window 380 appears, as shown in Figure 24. Information in this part of the window 380 includes PCE 395, ROA 396, Critical RACs 397, Profitability RACs 398, and Target Market/Other RACs 399, and comment boxes for Purpose of the Report 400 and Description of Non-B&P Facilities 401. The user may select
20 buttons to View Report 392 and to Close 393.

In Figure 24, if the user continues scrolling down the page, the next part of the window 380 appears, as shown in Figure 25. Information in this part of the window 380 includes Description of Total Facilities and Security 405, which includes a list of Borrowers 406, comprising Name 406a and Tax ID 406b, which
25 the user may scroll using a toolbar 407; a comment box for Description of Other Security 408, which the user may scroll using a toolbar 409; a list of Products 410, comprising Product 410a and Amount 410b, which the user may scroll using a

toolbar 411; and a box for Comments 412. The user may select buttons to View Report 392 and to Close 393.

In Figures 23-25, if the user selects the button for View Report 392, a window 420 appears, as shown in Figure 26. This window 420 contains
5 information on Credit Approval in a report format; in the example as shown in Figure 26, the window 420 shows page 1 of 3. The window 420 includes a toolbar 421 for the user to apply to the report, which includes a button for Close 422.

In Figure 22, if the user selects Credit Memo 371 from the Complete Approval Package 73 pulldown menu, a window 430 appears, as shown in Figure
10 27. The window 430 allows the user to view or input Credit Memo information, including Relationship Name 431, Responsible Officer 432, and Date 433; Summary and Conclusion information 434, including Debt Service Coverage 434a, Liquidation Coverage 434b, Conversion of Business Assets 434c, Personal Asset Coverage 434d, and Full Amortization DSC 434e; Expert System
15 Assessment information 435, including Decision Recommendation 435a, Credit Quality Assessment 435b, Rating 435c, a comment box for Any Factors that the System Did Not Evaluate 435d, and a comment box for Key Strengths/Weaknesses 435e. The user may select buttons to View Report 436 or Close 437.

20 In Figure 27, if the use continues to scroll down the window 430, the next part of the window 430 appears, as shown in Figure 28. The next part of the window allows the user to view or update information regarding Banking Relationship 440, including Depositor Since 440a, Line/BRC Clean Up Required? 440b, Borrower Since 440c, Clean Up Accomplished 440d, # Late Citibank
25 Payments (12 mo.) 440e, and Clean Up Satisfactory? 440f; Expert System Assessment Information 441, including Banking Relationship Evaluation 441a, Banking Relationship Points 441b, and comment boxes for general comments 441c, and Credit Officer Comments 441d; and Character information 442, which

the user may continue to review or update by scrolling down the window 430. The user may select buttons to View Report 436 or Close 437.

In Figures 27 or 28, if the user selects the button for View Report 436, a window 450 appears, as shown in Figure 29. This window 450 contains Credit
5 Memo information in a report format; in the example as shown in Figure 29, the window 450 shows page 1 of 7. The window 450 includes a toolbar 451 for the user to apply to the report, which includes a button for Close 452.

Figure 30 presents the pulldown menu options for Administration 64, which include MIS Reports 460, MIS Queries 461, and Table Changes 462.
10 Selection of the Table Changes 462 option produces a submenu that includes Accountant Firms 463, Accountant 464, Branch List 465, Departments 466, Employee 467, Product List 468, Profitability Products 469, Profitability Spread 470, Name Prefix 471, Name Suffix 472, SIC List 473, and Zip Codes 474.

As shown in Figure 31, the user may select Open 480 from the File
15 Management 63 pulldown menu to open an existing file, and the user may select Exit 482 to exit the system. If the user selects Change Status 481, a window 490 appears, as shown in figure 32. The window 490 contains a box for Status as of Today 491, including Approved 491a, Declined 491b, Booked 491c, and Withdrawn/Terminated 491d; and user input areas for Reason for
20 Withdrawal/Termination 492. Two window buttons, Decision Validation 493 and Comments 494 allow additional information input by the user. The window 495 corresponding to Decision Validation 493, as shown in Figure 32, includes Did the System Recommend the Correct Decision for the Deal Structure and Amount Last Reviewed? 495a; How Would You Rate the System's Accuracy in Terms of
25 Identifying and Weighing the Strengths and Weaknesses? 495b; How Would You Rate the System's Completeness in Terms of Containing the Key Factors You Analyzed in the Deal? 495c; How Would You Judge the Difficulty in Analyzing This Deal From a Credit Perspective Taking Into Account Loan and Corporate

Structure, Industry Type, Key Profile and Credit Characteristics? 495d; What Was Your Assessment of the Quality of This Credit Request Based on the Final Deal Structure That You and the Expert System Considered? 495e; and How Would You Judge the Adequacy of the Features of the Program Provided to Help You

5 Analyze the Company [Start to Finish] and Prepare an Approved Package? 495f. The user may select buttons to Save 496 or Cancel 497 inputted information.

In Figure 32, if the user selects the window button for Comments 494, a window 500 appears, as shown in Figure 33. This window 500 includes comment areas for Describe the Item(s) Missing From the Expert System Analysis and Its

10 Impact on the Analysis 500a; and Describe the Incorrect System Weights/Analysis 500b. As in Figure 31, the user may Save 496 or Cancel 497 inputted information.

As noted, an embodiment of the expert system risk assessment component includes a computerized evidence tree that assists a user with evaluating loan applications and making decisions. The evidence tree serves as an engine for a

15 number of functions, including determining an overall credit recommendation and identifying specific strengths and weaknesses relating to the application. The evidence tree may be viewed by the user in any of three modes. In the first mode, the system presents the evidence tree elements to the user by branches simply by the name of the node or factor. (Note: elements of the evidence tree above the

20 lowest level of the tree (lower levels are to the right as shown in the figures) are referred to as "nodes"; the elements of the lowest level of the evidence tree are referred to as "factors"; a branch is a series of connected nodes and/or factors.) In the second mode, the evidence tree includes nodes and factors containing information about the range of possible values (i.e., weights) that are associated

25 with those nodes and factors and the range of possible verbal descriptors, or tags (e.g., Maximum, Excellent, Good, Average, Marginal, Poor, Minimum weights). In the third mode, the evidence tree includes nodes and factors containing weights,

flags, tags, colors, and other markers indicating to the user information about that node or factor for a particular scenario being assessed.

The expert system includes automatically analyzing data using the evidence tree, which includes preprocessing data to align evidence tree elements based on
5 the profile of the loan application, automatically analyzing inputted data in preparation for input to evidence tree elements, automatically executing a debt rating model, automatically evaluating the evidence tree elements based on the weights assigned and the inputted data, automatically determining a risk rating, automatically determining an overall risk rating to the obligor, automatically
10 calculating the relationship profitability after all direct and indirect expenses, automatically producing an explanation of strengths and weaknesses of the loan application based on inputs to and results of evidence tree analysis, and automatically making a loan recommendation.

Figures 34-35 show sample elements of an evidence tree process for the
15 risk component in the first mode, which contains no weights. Figures 36-37 show an evidence tree process for sample information in the second mode, which includes simple example weights and the range of possible verbal descriptors. Figures 38-40 show additional branches, nodes, and factors of the evidence tree as incorporated into the system in the third mode, with such features as flags and
20 tagged information.

Figure 34 shows the first node and branches of an evidence tree process. A window 510 contains a tree for making a Decision 511, with the nodes for nine branches. These nodes include Compliance 512, Loan Structure 513, Banking Relationship 514, Character 515, Information Quality 516, Repayment Sources
25 517, Financial Condition 518, Company Background 519, and Industry Outlook 520. The nodes are organized into logical groupings, and other concepts may be freely added. Buttons 521a-521g at the top of the window 510 allow alteration in

views of the model, vertically and horizontally oriented. The Type 522a pulldown menu allows viewing as a tree, a tree with options, or an actual case.

Figure 35 shows the branch for the Repayment Sources (517 in Figure 34) node. A window 530 shows the Decision 511 with the Repayment Sources 517 branch selected. The nodes for Repayment Sources 517 include Primary 531, Secondary 532, Tertiary 533, and Independency 534. The Secondary 532 branch further depends on nodes for Secondary coverage 535 and Combination 536.

Figure 36 shows the first node and branches for that node of the evidence tree process with example nominal weightings to illustrate the operation of the system and method of the present invention. A window 540 contains a tree for making a Decision 541, with nine branches containing nodes. These nodes include Compliance 542, Loan Structure 543, Banking Relationship 544, Character 545, Information Quality 546, Repayment Sources 547, Financial Condition 548, Company Background 549, and Industry Outlook 550. Within each of these nodes are weighting factors, rules, and functions. For the Decision 541, overall score can range from a maximum of 19, which is a total of each of the maximums for the nine nodes, to a minimum of -75, which is a total of each of the minimums for the nine nodes. An excellent score is 2, a good score is 1, an average score is 0, a marginal score is -1, and a poor score is -2.

Note that each node of the evidence tree contains verbal descriptors of the "buckets" for rating. Positive weights for descriptors indicate "pros" for rating, and negative weights indicate "cons." Relative importance of weights are reflected in the ranges produced within each box. Also note that, in this example with dummy data, both positive and negative weightings for repayment sources 547 carry heavier weights than the financial condition 548 node because the repayment source 547 node relates to actual amount of credit requested to key cash flow and asset coverage analysis, and therefore is more important to the overall decision.

For Compliance 542, the maximum score is 0, a satisfactory score is 0, a marginal score is -1, an unsatisfactory score is -2, and a minimum score is -3. For Loan Structure 543, the maximum score is 0, satisfactory is 0, unsatisfactory is -1, and the minimum is -2. For Banking Relationship 544, the maximum is 2, good is 1, average is 0, poor is -1, and the minimum is -5.

For Character 545, the maximum is 2, good is 1, marginal is -1, poor is -3, and the minimum is -10. For Information Quality 546, the maximum is 2, satisfactory is 2, marginal is 0, unsatisfactory is -10, and the minimum is -30. For Repayment Sources 547, the maximum is 5, excellent is 5, good is 3, average is 2, marginal is -5, poor is -10, and the minimum is -10.

For Financial Condition 548, the maximum is 3, excellent is 3, good is 2, average is 1, marginal is -2, poor is -3, and the minimum is -5. For Company Background 549, the maximum is 3, good is 3, average is 0, poor is -5, and the minimum is -10. For Industry Outlook 550, the maximum is 2, satisfactory is 2, unsatisfactory is -5, and the minimum is -10.

Figure 37 shows the branches of the Repayment Sources (547 in Figure 36) node. A window 560 shows the Repayment Sources 547 node and branches selected. The branches for Repayment Sources 547 include Primary 561, Secondary 562, Tertiary 563, and Independency 564. For Primary 561, excellent is 5, good is 3, average is 1, marginal is -5, and poor is -6. For Secondary, the maximum is 3, excellent is 3, good is 2, average is 1, marginal is -3, poor is -4, and the minimum is -9. For Tertiary, excellent is 3, good is 2, average is 1, marginal is 0, and poor is 0. For Independency 564, yes is 0 and no is -1.

The Secondary 562 node further depends on nodes for Secondary coverage 565 and Combination 566. For Secondary coverage 565, excellent is 3, good is 2, average is 1, marginal is -2, and poor is -4. For Combination 566, no is 0 and yes is -5.

Figures 38-40 provide examples of additional details provided in conjunction with the evidence tree as viewed by the user using the third mode of viewing. In this mode, flags, tags, colors, and other signals reflecting analyzed data as entered are presented.

5 Figure 38 presents a window containing more detail for a selected sample branch with a series of nodes and the factors at the lowest level. This example presents a window 570 containing dummy information for the node of Credit assessment 571. Nodes for Credit assessment 571 include Financial condition 572, and Leverage 573. Leverage 573 further depends on factors for Projected leverage
10 574, Interim leverage 575, Last leverage 576, Previous leverage 577, Leverage volatility 578, and Leverage to industry 579. Example tags and information are included for these factors. For example, the Credit assessment factor contains a textual tag for option 571a, which is Good and the factor's value 571b, which is 3. Note also that a flag F 571c and an E 571d are included for this factor. The color
15 of the flag F 571c indicates its meaning.

 If the F 571c is red, it signals a red flag; if it is white, it signals a white flag. A red flag constitutes an extremely negative weight or other element; a white flag signals an extremely positive weight or other element. For example, a white flag could be issued with respect to the length of the relationship the loan applicant has
20 had with the particular bank. The system may assign weighting to the length of the relationship, with a maximum of some number of months, such as 36. Positive points will be assigned incrementally for lengths of time greater than 0 up to a maximum at 36. If the applicant has had an extremely long relationship with the bank, such as 120 months, this would not be reflected to any greater degree in the
25 weighting than 36 months. In order to account for this additional "extremely positive" aspect of the relationship, a white flag could be automatically issued, such as for all relationships exceeding 60 months.

These flags are intended to assist the credit officer during the evaluation stage. For example, a large number of white flags may help the credit officer determine that a decline should be overridden; a large number of red flags may signal a decline should occur, even though the system recommendation may be

5 Approve.

In Figure 38, the E 571d indicates that an explanation is available for this node if the E 571d is highlighted in white. The explanation provides key data elements or key explanations of importance to the system operation. If the user selects the E 571d, an explanation pop-up window will appear (similar to pop-up

10 window 584, shown in Figure 39).

Figure 39 contains more details regarding some of these flags and other tags. Figure 39 presents a window 575 with factors for the node for Compliance 576. These factors include Legal structure 577, Business location 578, Sales Size 579, Security position 580, Industry 581, Know your customer 582, and Industry

15 referral 583. In this example, the user has selected the explanation E 577a within the factor for Legal structure 577, which has produced the pop-up window 584. Note that the factors contain textual information regarding the values they contain; for example, the Legal structure 577 branch indicates that the value 577b is In-target 577c. Another flag presented in this window is the RAC failure flag (a RAC

20 is a policy criterion). For example, within the Legal structure factor 577, an R 577d is included. If the R 577d is highlighted (e.g., appears in yellow), it signals a RAC failure. Similarly, factors and nodes can contain a highlighted O indicating that an Overriding Rule has been triggered; for example, the Know your customer factor contains an O 582a, which indicates an Overriding Rule has been triggered

25 for this factor. Note also that this factor contains a textual indication that it is a Subjective 582b factor or is based on subjective information.

Figure 40 contains a window 590 presenting a sample section of an evidence tree with additional details highlighted. The window 590 shows a branch

for the Decision node (571 in Figure 38), including the node for Financial condition (572 in Figure 38) and its factors, Sales trend 591, Profitability 592, Liquidity 593, Leverage (573 in Figure 38), and Operating cash flow 594.

Figures 41-44 illustrate several example methods that weighing factors may be totaled for analysis purposes and ways of viewing these analyses. An embodiment includes simply summing the values of various nodes or factors in a particular part of the evidence tree. Figure 41 illustrates value totaling at a node that does not result from simple addition of the nodes and/or risk factors below that node. In Figure 41, a window 600 contains a node for customer concentration 601. The node for customer concentration 601 is the result of the worst node below it. In this example, customer concentration 601 has a value 601a of -14 points because it selected the customer concentration risk factor that was the most negative, from the factor for One customer concentration 602, with a value 602a of -14.

Figure 42 demonstrates two other methods of how weights are propagated up the evidence tree. Figure 42 contains a window 610 with a node for Non mortgage secondary coverage 611. In this example, the node for Non mortgage secondary coverage 611 used the best value from a node and/or factor below it to obtain its value. Here, the value selected was based on the factor for Distress coverage 612, which has a value 612a of 10 points; the factor of Liquidation coverage 613, with value 613a, was not the basis used because its value was less than 10 points (9.30307 points). Figure 42 also illustrates another aspect of an embodiment for totaling weighting values, the application of an additional modifier to the value selected. Here, the modifier of 0.72 was applied to the best factor and/or node selected value (10 points) to produce final weight of 7.2 points for the Non mortgage secondary coverage 611 value 611a. The modifier in this case (72%) was derived from the fact that 72% of the facilities requested by the customer in this case were non-mortgage related.

Figure 43 demonstrates that some factors assessed by a risk factor may not be applicable in a particular case. If a particular factor is not applicable, it receives an "N/A" signal. This helps clarify to the user why no value is contained within that factor, since use of another value such as a blank would signal to the user less
5 information about the value actually used. In Figure 44, a window 620 contains nodes 621, 622, and 623, and factors 624, 625, and 626. Note that the factor for Current ratio 624, contains N/A 624a instead of an option.

Figure 44 presents another feature of an embodiment of the invention. This feature allows the user, when viewing the graphical interface, to enter modified
10 data directly into the risk factors and view the result immediately. Figure 44 contains a window 630 presenting this feature. The window 630, contains nodes 631 and 632, and factors 633, 634, 635, 636, 637, 638, and 639. If the data for Business location 634 is changed from in-target to out-target, this result appears in the factor (as shown for the data 634a in factor Business location 634 in Figure
15 44). In this example, this change produces a corresponding change in the node for Compliance 632 from satisfactory to unsatisfactory 632a, as shown in Figure 44, and in the node for Credit assessment 631 to very poor 631a, with the result that the credit decision becomes a decline. The benefits of allowing such changes are that the user, such as a credit officer, can modify data in a temporary way without
20 entering it into the data base and obtain a better understanding of the reasoning process in the system.

An addition aspect of an embodiment of the invention is the use of color in conjunction with values associated with each node or factor. The following colors are used: green indicates a very positive value; blue is a positive value; gray
25 signals an indifferent value; yellow identifies a negative value; and red indicates a very negative value.

Subjective factors are designated by the system operator, and, as noted, as these factors are inputted by the user, their values are highlighted as part of the

loan analysis report. An embodiment of the system includes a designation for each question as to whether the information is of a subjective nature. An example of a subjective question could include "How do you view the quality of management at the applicant institution?" The answers that the user could input could include

5 "excellent," "average," and "poor." Each of these answers would have a weighting value associated with it that would affect the system rating. However, each of these answers also is subjective and depends on the user's unquantified determination. In the report phase, the system tallies all of the subjective points and places the tally within a total range of possible subjective scores. For

10 example, the report could indicate that 100 points were awarded for all subjective factors; the minimum that could have been awarded was -200 points; the maximum that could have been awarded was 120 points; average is 0 points; good is 20 points; poor is -50 points. One of the purposes of tracking subjective points is to evaluate the "pessimism" or "optimism" of the user, who generally will be a

15 credit officer.

Further, key information from the last permanent file of results from the assessment model is also available in summary form as a menu option as a "view only" report that includes decision weighting result and recommendation, primary strengths and weaknesses identified; and officer comments on strengths and

20 weakness and recommendation.

Historic loan assessments are retrievable even after a change in the assessment model or expert system program has occurred. In this way decisions made several years ago under prior model versions can be recreated and viewed if necessary.

25 After a loan has been either approved, declined or withdrawn all data is marked as a permanent file that can no longer be revised. This assures data integrity. Data for a loan decision that is being processed can be filed as work in process prior to a decision point.

WHAT IS CLAIMED IS:

1. A method for a user to process a loan application for an applicant, comprising the steps of:
 - said user entering loan products requested;
 - 5 said user entering data relating to said application into a data management system;
 - said data management system automatically checking said data for completeness;
 - said data management system automatically generating relevant documents
 - 10 for said applicant relating to said application;
 - said data management system automatically transmitting said data to an expert analysis system;
 - said expert analysis system automatically assessing and recommending a loan decision using an assessment model and said data; and
 - 15 if the loan application is approved, automatically generating a set of documents and other forms relating to a loan, and transmitting applicant information from said expert analysis system to said data management system.
2. The method of claim 1 further including the steps of:
 - 20 said expert analysis system automatically searching publicly available databases for information relevant to said application; and
 - automatically inputting said publicly available information into said data management system.
- 25 3. The method of claim 2 wherein said publicly available databases include at least one option selected from the group consisting of credit bureau agencies, UCC, litigation, and lien information.

4. The method of claim 1 further including the step of, if the loan is declined, automatically generating a decline letter.

5. The method of claim 1 wherein said set of documents comprises approval documents.

6. The method of claim 1 wherein said set of documents comprises legal documents.

7. The method of claim 1 wherein said assessing and recommending step includes automatically analyzing financial records.

8. The method of claim 1 wherein said assessing and recommending step includes automatically assigning a debt rating.

9. The method of claim 1 wherein said assessing and recommending step includes automatically identifying sources of repayment.

10. The method of claim 1 wherein said data relating to an application comprises demographic, business, banking, products, industry, business financial, personal, and personal financial information, and subjective evaluations.

11. The method of claim 1 wherein said step of assessing and recommending comprises the steps of:
automatically preprocessing prior to execution to align evidence tree elements based on the profile of said loan application;
automatically analyzing inputted data in preparation for input to evidence tree elements;

automatically inputting said analyzed inputted data into evidence tree elements;

automatically executing a debt rating model;

automatically evaluating the evidence tree elements based on the weights

5 assigned, the rules, and the inputted data;

automatically determining a risk rating for said loan products requested;

automatically determining an overall risk rating to the obligor;

automatically calculating the relationship profitability after all direct and indirect expenses;

10 automatically producing an explanation of strengths and weaknesses of the loan application based on inputs to and results of evidence tree analysis; and
automatically making a loan recommendation.

12. The method of claim 11 wherein said loan recommendation includes
15 at least one option selected from the group consisting of approve, decline, defer, and neutral, includes a grading of at least one option selected from the group consisting of excellent, good, fair, marginal, poor, and very poor, and includes an overall rating.

20 13. The method of claim 11 wherein said explanations comprises narrative text.

14. The method of claim 11 wherein said strengths are listed prior to said weaknesses for an approved loan application.

25

15. The method of claim 11 wherein said weaknesses are listed prior to said strengths for a declined loan application.

16. A method for an expert analysis system to assist a user with making a loan decision based on inputted data, comprising the steps of:

automatically preprocessing to align evidence tree elements and assign weights based on the profile of said loan application;

5 automatically analyzing inputted data in preparation for input to evidence tree elements;

automatically inputting said analyzed inputted data into evidence tree elements;

automatically executing a debt rating model;

10 automatically evaluating the evidence tree elements based on the weights assigned and the inputted data;

automatically determining a risk rating;

automatically determining an overall risk rating to the obligor;

15 automatically calculating the relationship profitability after all direct and indirect expenses;

automatically producing an explanation of strengths and weaknesses of the loan application based on inputs to and results of evidence tree analysis; and
automatically making a loan recommendation.

20 17. The method of claim 16 wherein said evaluating step includes adding values assigned to evidence tree factors and nodes.

18. The method of claim 16 wherein said evaluating step includes selecting the largest numeric value assigned to evidence tree factors and nodes.

25

19. The method of claim 18 further including the step of applying a numeric modifier.

20. The method of claim 19 wherein said modifier is a percentage.
21. The method of claim 16 wherein said evaluating step includes selecting the smallest numeric value assigned to evidence tree factors and nodes.
- 5 22. The method of claim 16 further comprising the step of saving data from said loan application.
23. The method of claim 16 further comprising the steps of:
- 10 inputting data for multiple scenarios;
automatically producing results for multiple scenarios;
automatically presenting to the user said results; and
automatically producing approval documents for said multiple scenarios.
- 15 24. The method of claim 16 further comprising the step of linking to a database system for data extraction.
25. The method of claim 19 wherein said database system comprises a mainframe computer system.
- 20 26. The method of claim 19 wherein said database system comprises a local area network.
27. The method of claim 19 wherein said database system comprises a
- 25 wide area network.
28. The method of claim 16 further comprising the steps of:

identifying risk acceptance criteria and underwriting guidelines for evidence tree elements; and

automatically providing a flag within the system identifying said risk acceptance criteria and said underwriting guidelines as at least one option selected
5 from the group consisting of pass and fail.

29. The method of claim 28 wherein said flag comprises a highlighted symbol.

10 30. The method of claim 28 wherein said overriding rule comprises a factor in an evidence tree branch.

31. The method of claim 28 wherein said overriding rule comprises a node in an evidence tree branch.

15

32. The method of claim 16 further comprising the steps of:
automatically identifying an exceptionally negative factor within the evidence tree; and
automatically providing a list of extreme negative factors that includes said
20 identified extreme negative factor.

33. The method of claim 16 further comprising the steps of:
automatically identifying an exceptionally positive factor; and
automatically providing a list of exceptionally positive factors that includes
25 said identified exceptionally positive factor.

34. The method of claim 16 further comprising the steps of:
automatically identifying that an overriding rule has been triggered; and

automatically providing a flag to the user that an overriding rule has been triggered.

35. The method of claim 16 further comprising the steps of:
- 5 automatically determining by said expert system that no data has been entered for an overriding rule;
- automatically determining by said expert system that no data has been entered for an evidence tree element; and
- providing to the user indication that no data was entered for an evidence
- 10 tree element for which no data has been entered.

36. The method of claim 16 further comprising the step of tagging factors.

- 15 37. The method of claim 36 wherein said tagging includes color tagging.

38. The method of claim 36 wherein said tagging includes verbal tagging.

- 20 39. The method of claim 36 wherein said tagging includes textual tagging.

40. The method of claim 36 wherein said tagging includes symbol

25 tagging.

41. The method of claim 36 wherein said tagging includes numeric tagging.

42. The method of claim 16 further comprising the step of allowing the user to view color tags, verbal tags, textual, symbol, and numeric tags, and real-time propagation of the evaluating step.

5

43. The method of claim 16 further comprising the steps of:
tagging each evidence tree element for which an explanations is available;
and
allowing the user to select an option to view said explanation.

10

44. The method of claim 16 further comprising the step of automatically providing a list of factors that were not evaluated where an incomplete set of input data has been inputted by said user.

15

45. The method of claim 16 further comprising the steps of:
automatically identifying qualitative factors in the evidence tree;
automatically combining said qualitative factors; and
automatically providing said user with the total of said qualitative factors
and a range of possible qualitative factors.

20

46. The method of claim 45 wherein said qualitative factors comprise subjective factors.

47. The method of claim 45 wherein said qualitative factors include
25 identified factors in an evidence tree.

48. The method of claim 45 wherein said combining step includes summing numeric values associated with evidence tree branches.

49. The method of claim 16 wherein said loan recommendation includes at least one option selected from the group consisting of Approve, Decline, Neutral, Refer, and Defer.

5

50. The method of claim 16 wherein said step of producing a description includes the steps of:

automatically tagging selected factors of the evidence tree;

automatically collecting said tagged factors;

10 automatically combining said tagged factors; and

automatically assigning narrative information to said combined tagged factors.

51. The method of claim 16 further including the steps of:

15 automatically identifying a decision tree element that is not applicable to the evidence tree analysis evaluation; and

automatically replacing said inputted data in evidence tree elements with a textual symbol.

20 52. The method of claim 51 wherein said textual symbol is "N/A".

53. A method for a user to process data relating to a loan application for an applicant, comprising the steps of:

entering by said user of data relating to said application;

25 automatically transmitting said data to an expert analysis system;

automatically inputting results received from said expert analysis system;

automatically analyzing said data and said results; and

automatically displaying key factors associated with said results.

54. The method of step 53 further comprising the steps of:
automatically identifying suggested alternative possible evaluation
outcomes for nodes and factors; and
5 automatically displaying said alternative outcomes.

55. The method of claim 53 further comprising the step of displaying
said nodes and factors without alternative outcomes.

10 56. The method of claim 53 further comprising the step of displaying
said nodes and factors without tags and flags.

57. The method of claim 53 wherein said key factors comprise
qualitative evaluation by said user, including at least one option selected from the
15 group consisting of satisfactory and unsatisfactory for supplier risk, and at least
one option selected from the group consisting of high, medium, and low for
customer stability.

58. A system for a user to process a loan application by an applicant,
20 comprising:
means for entering by said user of data relating to said application into a
data management system;
means for said data management system to check automatically said data;
means for said data management system to generate automatically relevant
25 documents for said applicant relating to said application;
means for said data management system to transmit automatically said data
to an expert analysis system;

means for said expert analysis system to assess and recommend
automatically a loan decision by using an assessment model and said data; and
means for said expert analysis system to transmit automatically applicant
information to said data management system.

5

59. The system of claim 58 further comprising:

means for searching by said expert analysis system of publicly available
databases for information, including UCC, litigation, and lien information relevant
to said application; and

10 means for inputting automatically said publicly available information into
said expert analysis system.

60. The system of claim 58 further comprising means for generating
automatically a decline letter.

15

61. The system of claim 58 wherein said means for checking,
generating, searching, assessing, filing, and recommending comprise computing
means.

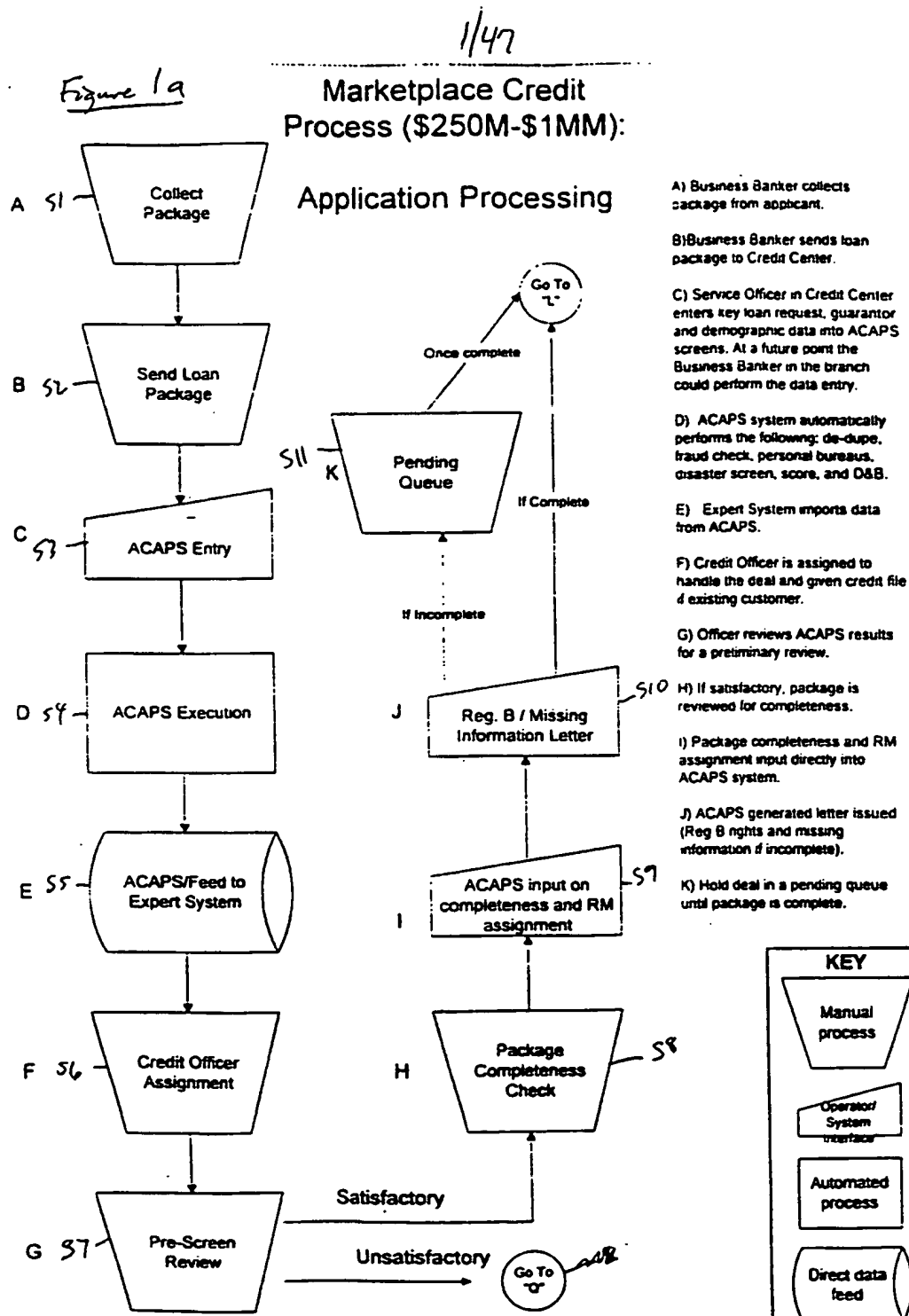


Figure 16

Underwriting

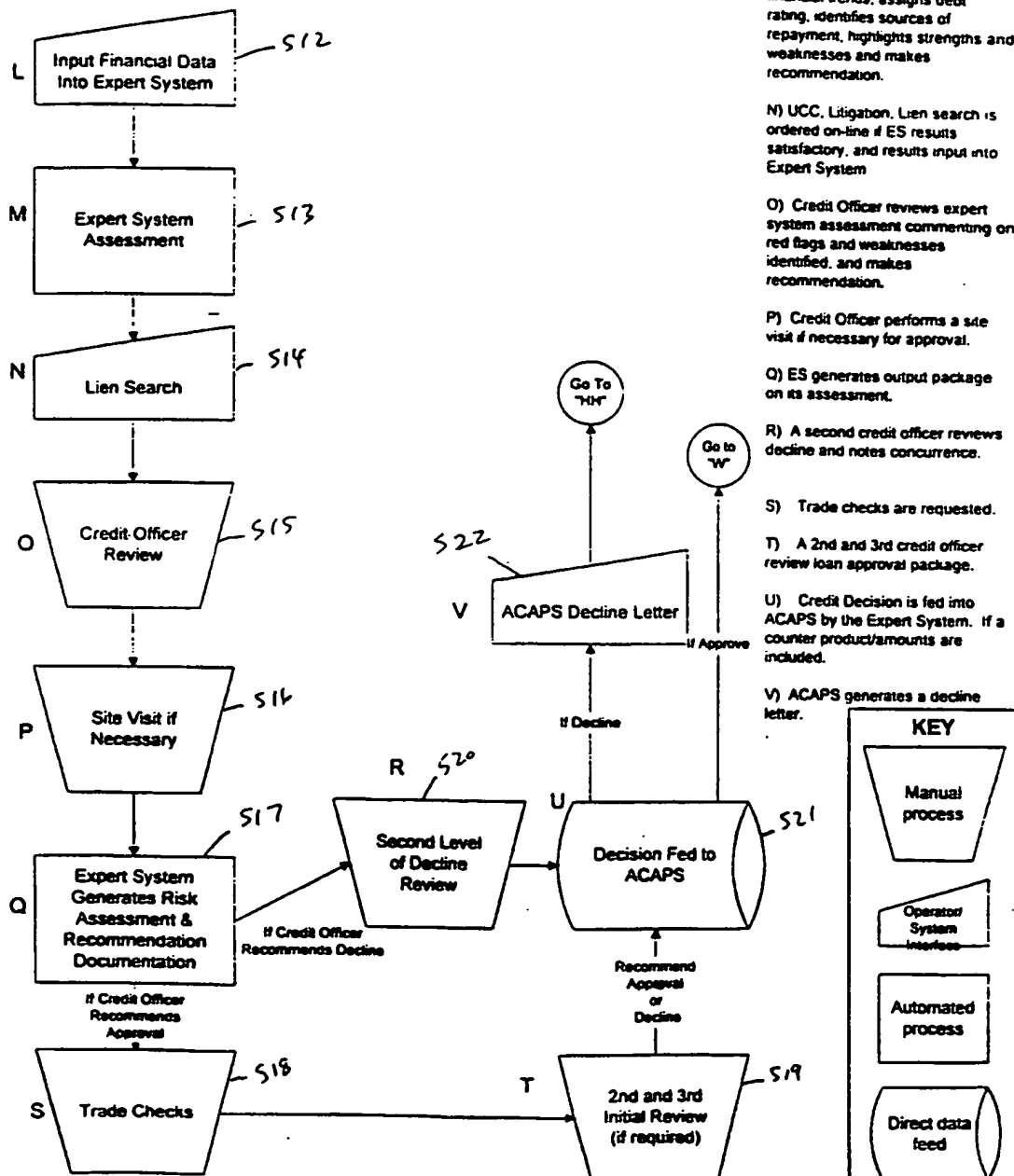
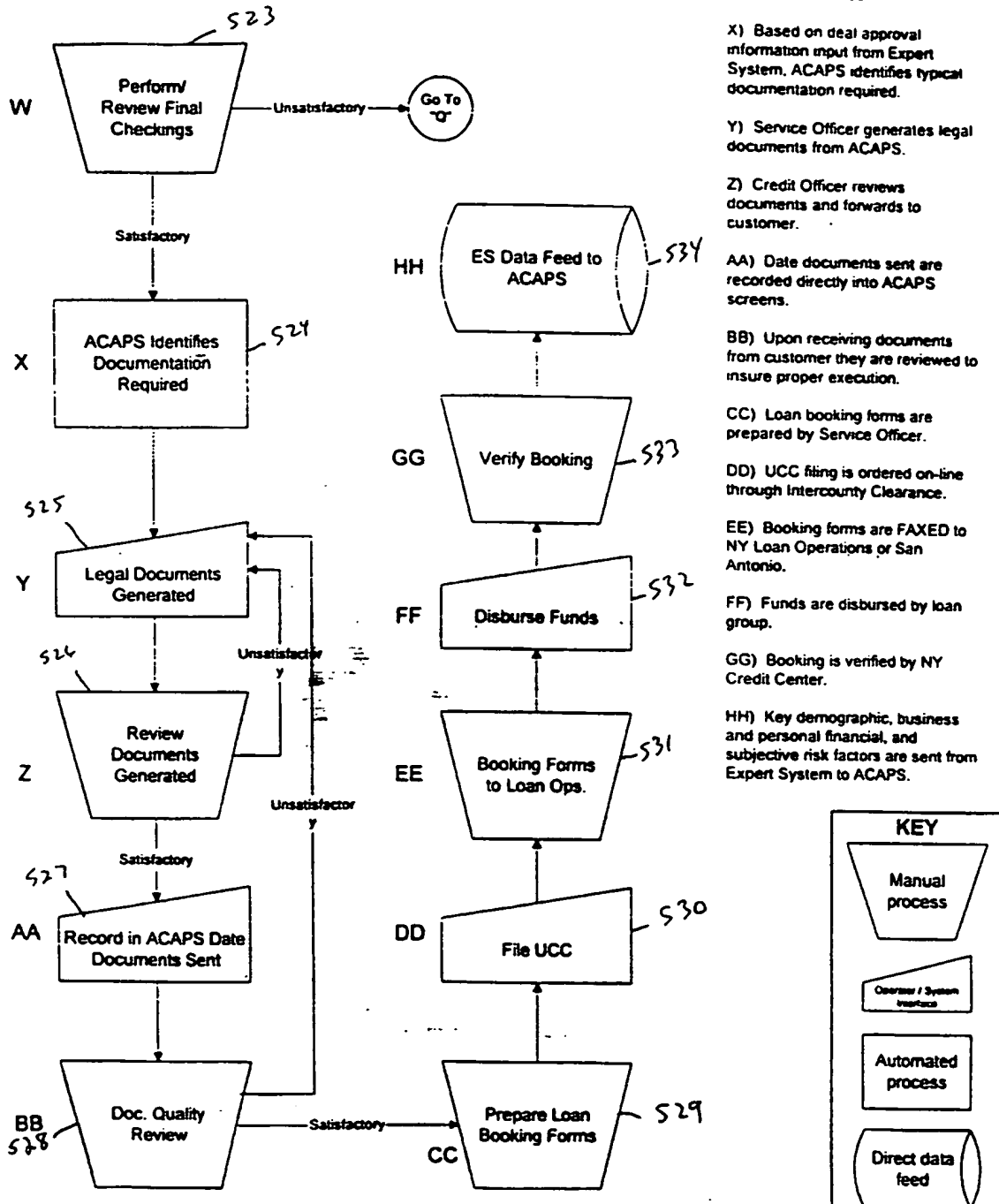
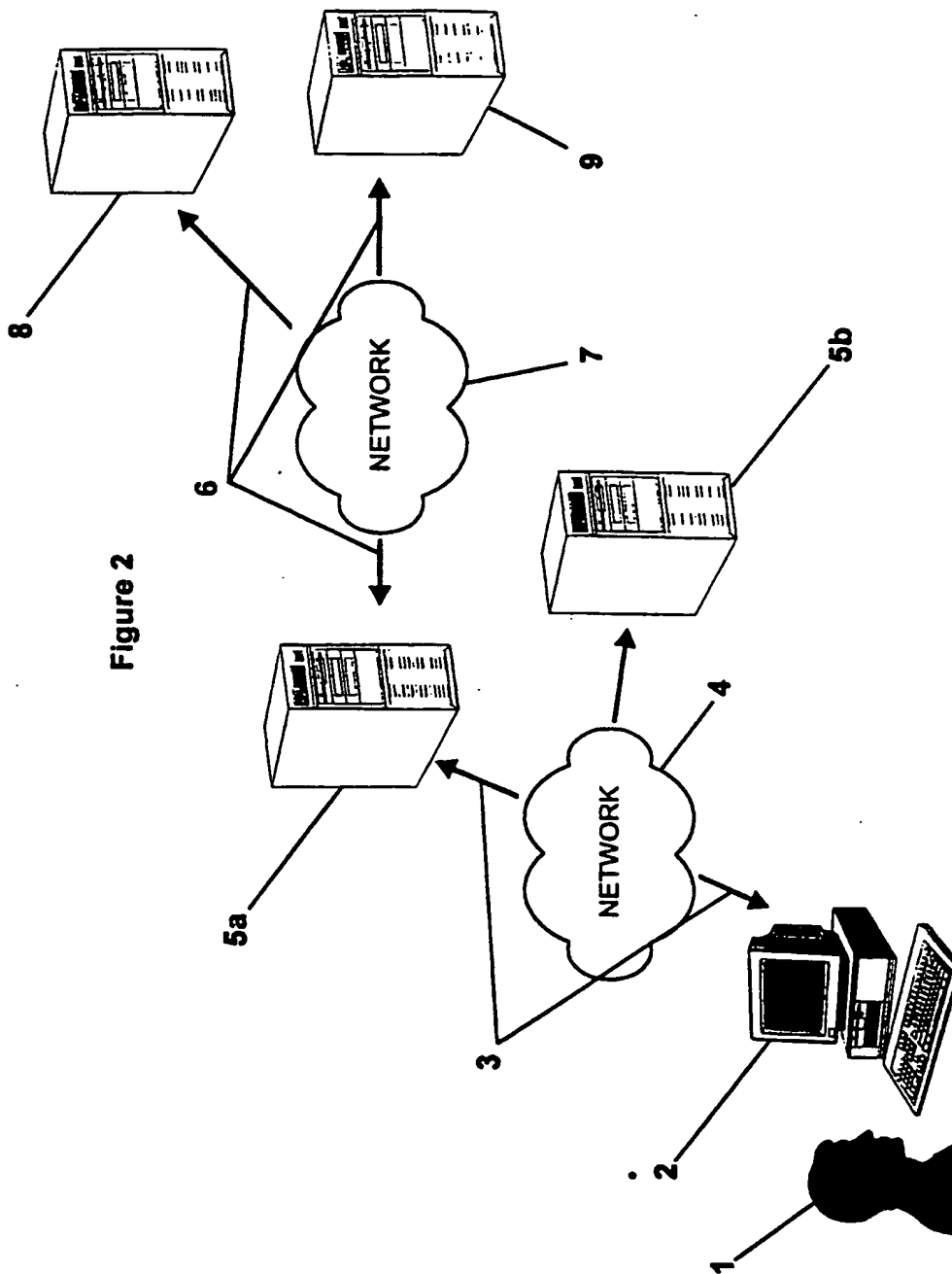


Figure 1c

Documentation & Booking

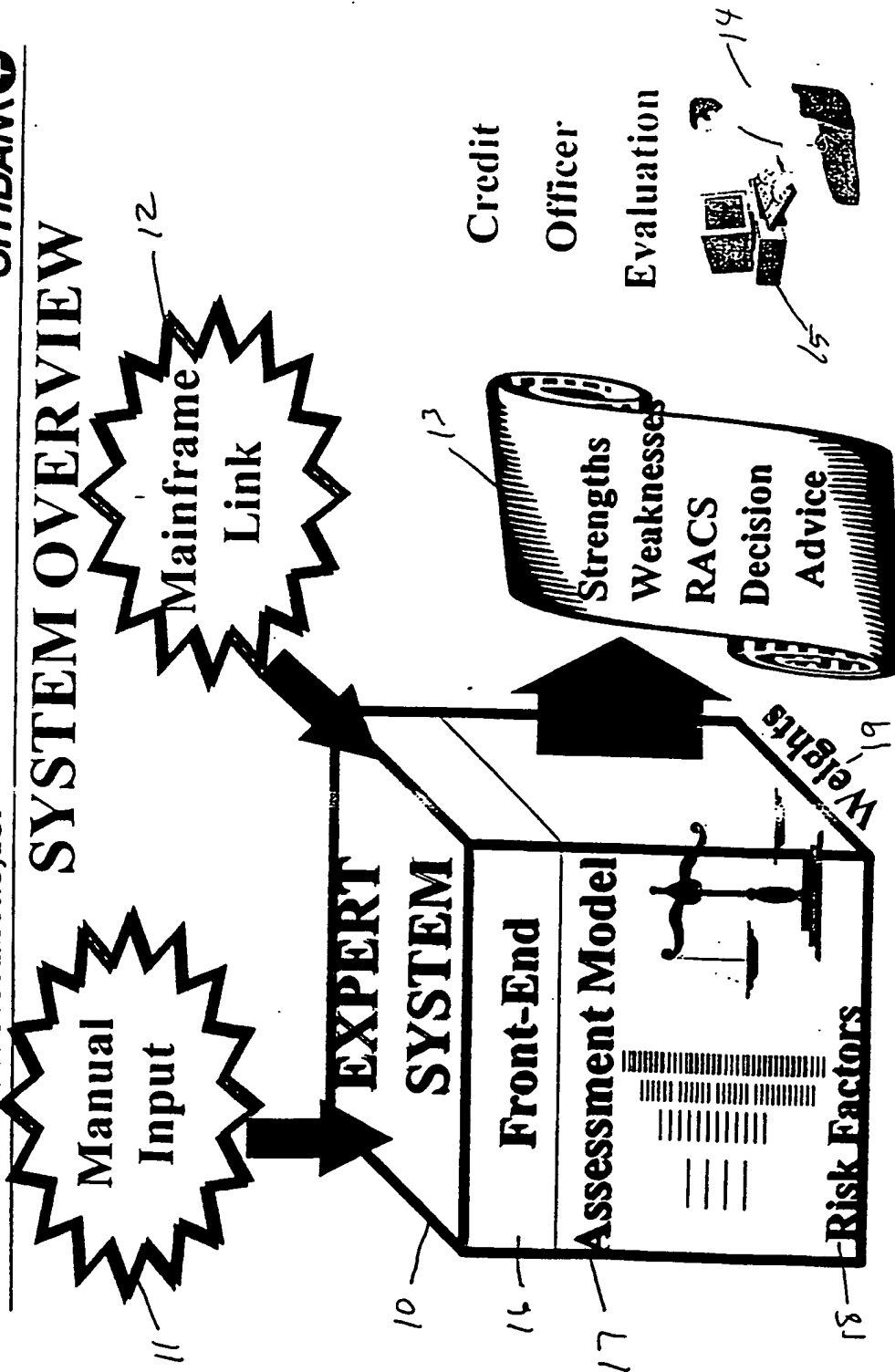




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B&P EXPERT CREDIT SYSTEM PROJECT

SYSTEM OVERVIEW



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B&P EXPERT CREDIT SYSTEM PROJECT

Figure 36

EXPERT SYSTEM PORTABILITY

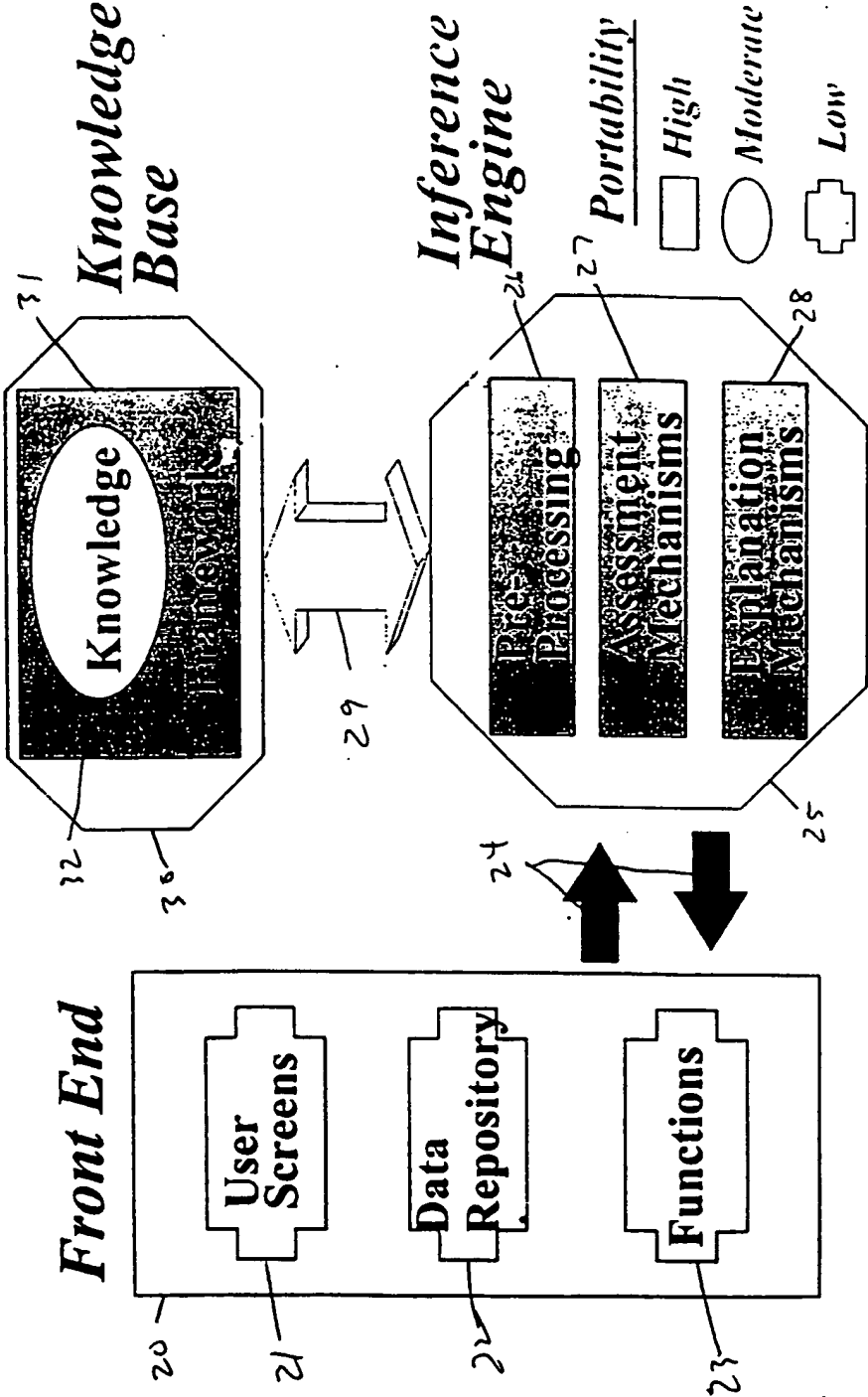


Figure 4
Expert Credit System New Deal Entry Summary

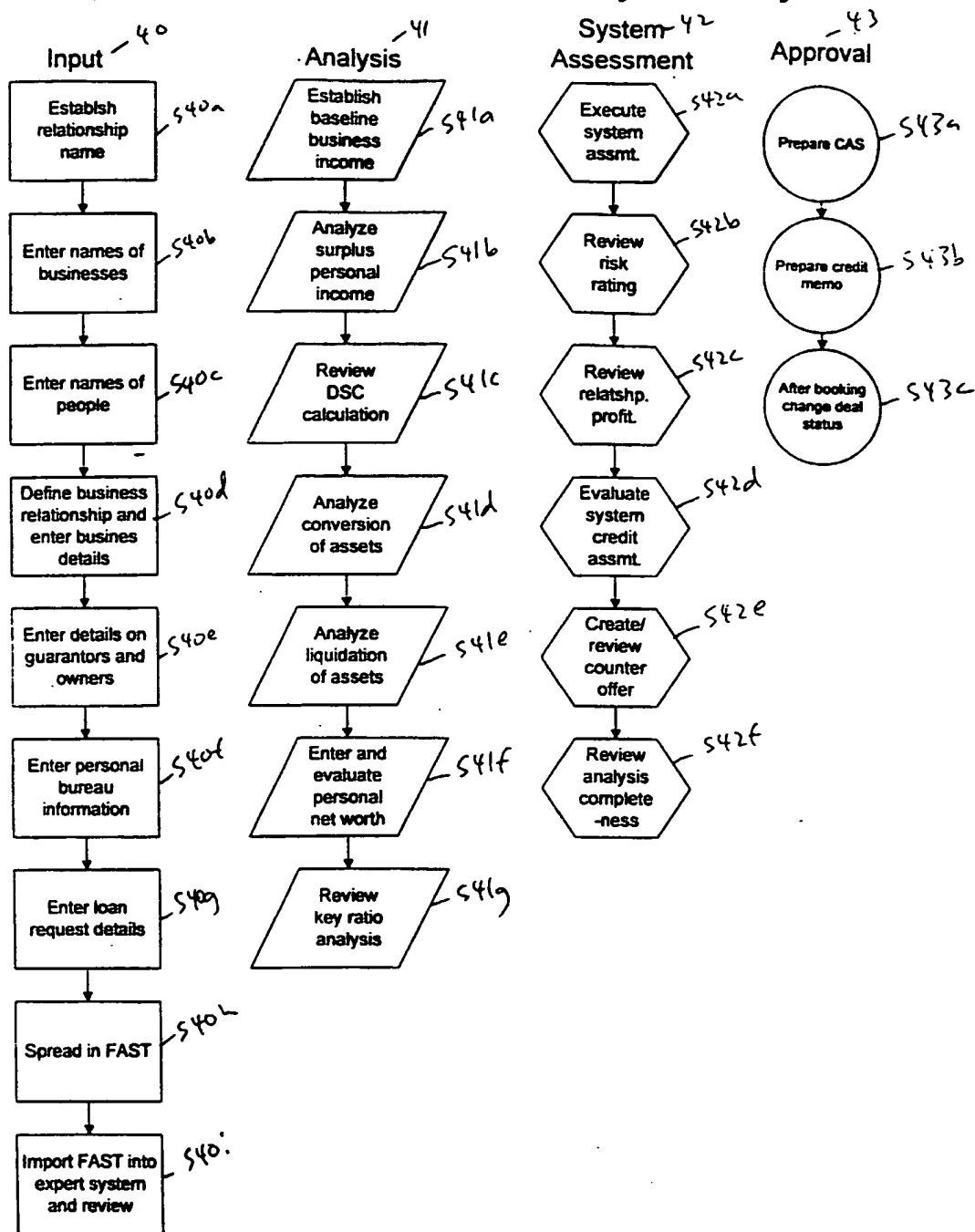
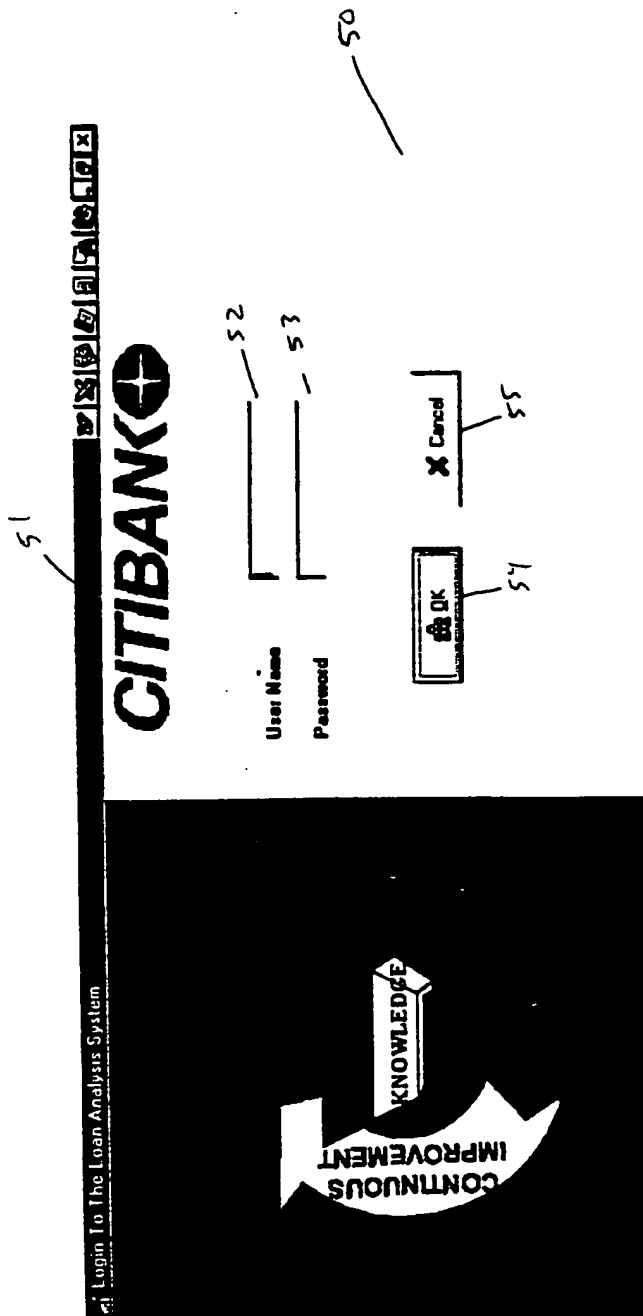
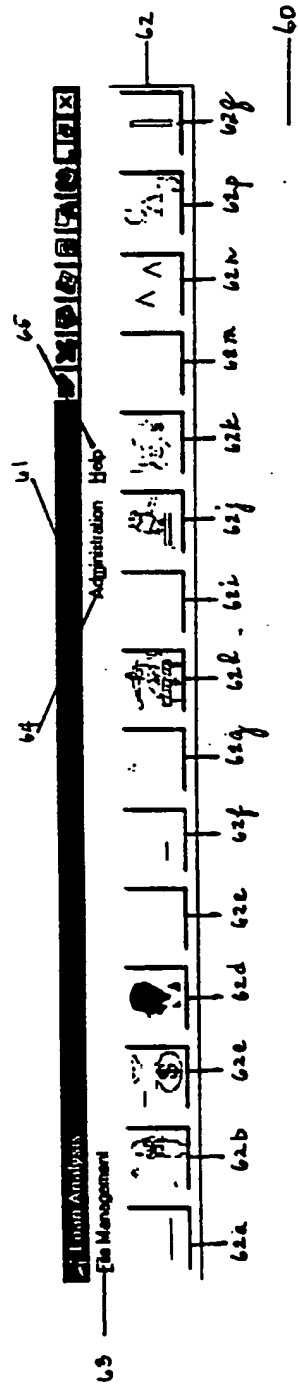


FIGURE 5



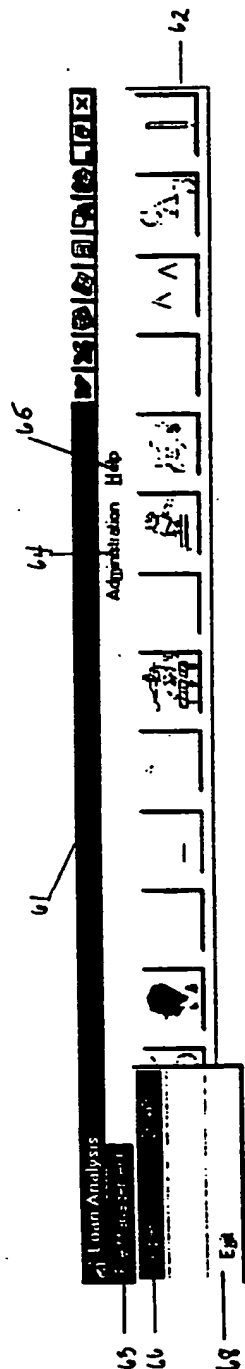
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Citibank N.A. U.S. Pat. Pending.

FIGURE 6



10/1/1997

FIGURE 7



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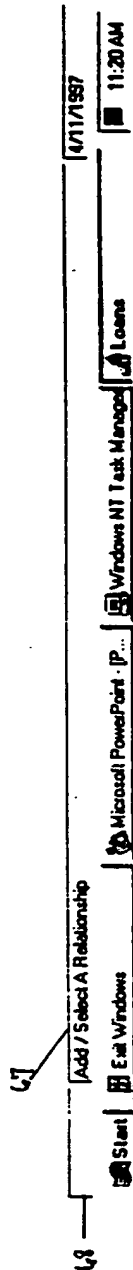


FIGURE 8

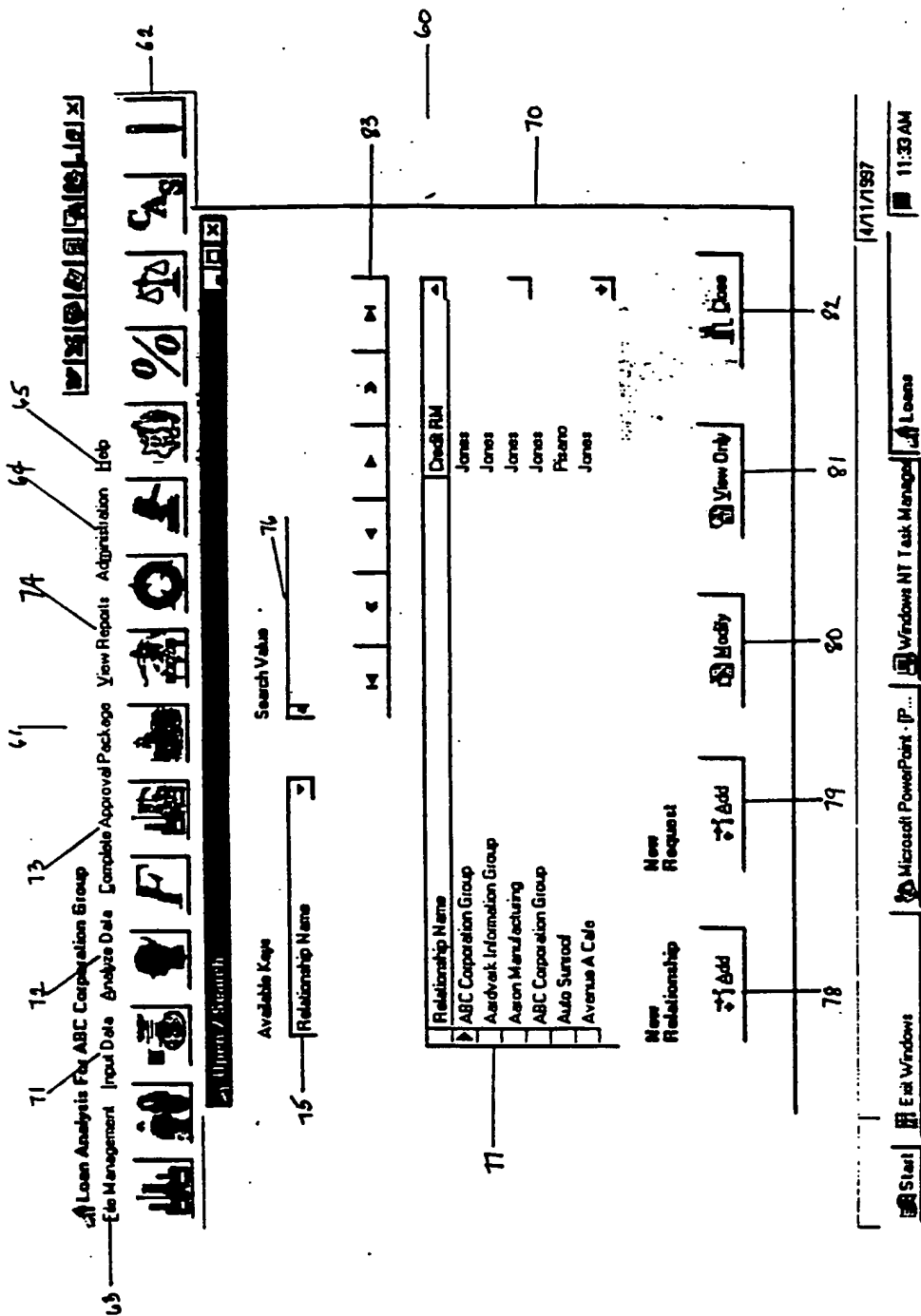
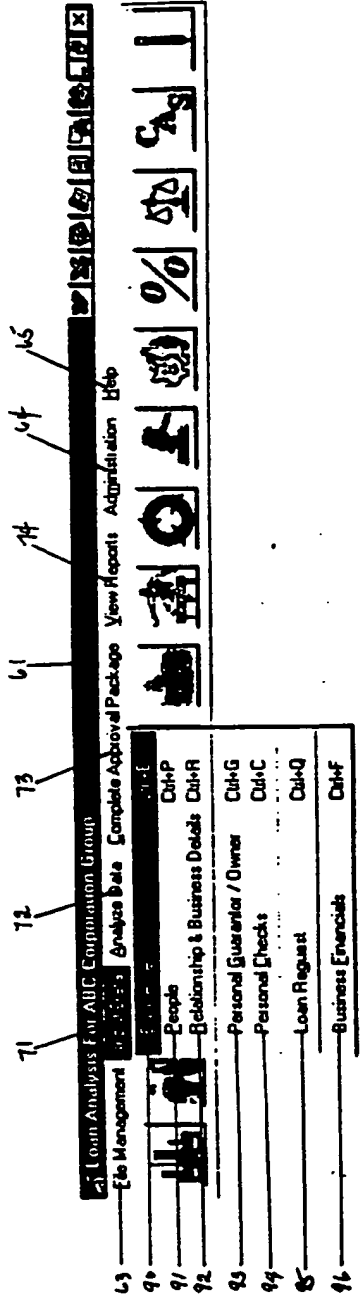


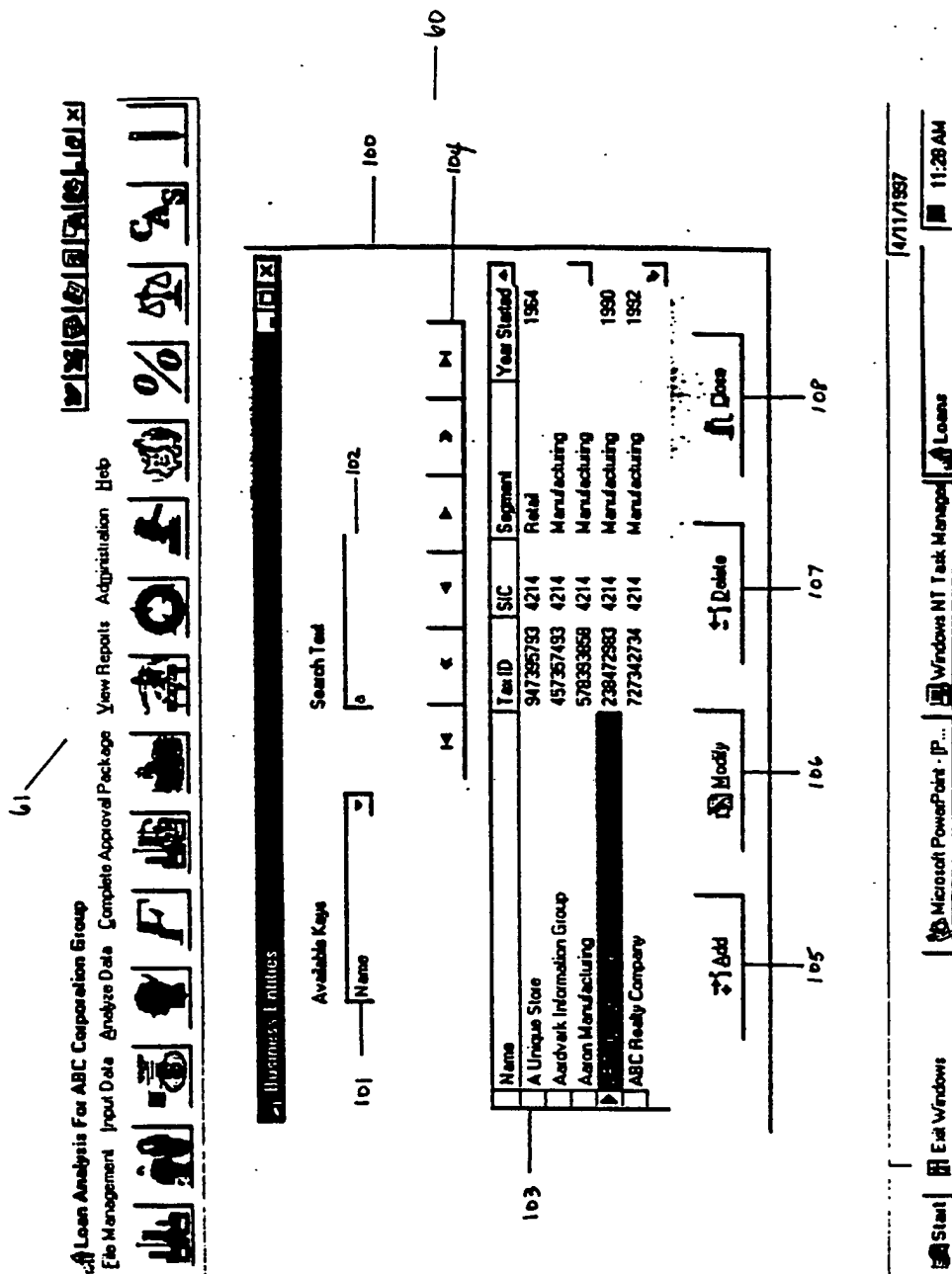
FIGURE 9



60



FIGURE 10



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FIGURE 11

Loan Analysis For ABC Corporation Group
File Management Input Data Analyze Data Complete Approval Package View Reports Administration Help

Set Relationship Businesses

Available Keys: Name 111 Search Text 112

Name	Tax Id	Business Type
Aardvark Information Group	457357493	
Aaron Manufacturing	578330858	
ABC Operations, Inc	238472983	Primary + Corporate Guarantor
	727342734	Related Borrower + Corporate Guarantor

115

Primary

Set Delete 115

Related Borrower

Set Delete 116

Corporate Guarantor

Set Delete 117

Relationship Details

Details 117a

Details 119

Close 119

4/11/1997 11:45 AM

Start Exit Windows Microsoft PowerPoint - IP... Windows NT Task Manager Loans

FIGURE 12

120 Relationship Details 121 122 123 124 125

Relationship Profile Customer / Suppliers Asset History Liquidity History Business Checks Financial Information Quality

Sales

127 Largest Customer 35.2% 127a Second Largest Customer 17.2% 127b Third Largest Customer 7.2% 127c

Major Customer AAA Supplies, Inc. 127d

128 Taking Customer Concentration Into Account

129 Customer Quality High 129a Average 129b Customer's geographic concentration Regional 129c

129a Calculate Conversion Factor On Receivables 129b Liquidity Factor On Receivables 129c

Purchases

130 Largest Supplier 26.2% 130a Access To Many Different Suppliers? Yes No 130b 130c

131 Industry 131a Stable 131b Satisfactory 131c Satisfactory

131a Industry Prospects 131b Competitive Environment 131c Regulatory Environment

132 Save 133 Cancel

Start Exit Windows Microsoft PowerPoint IP... Windows NT Task Manager Loans 11:46 AM

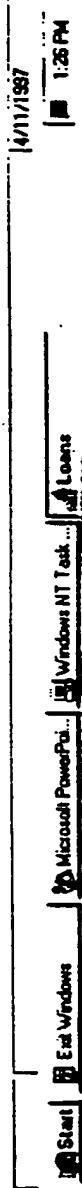
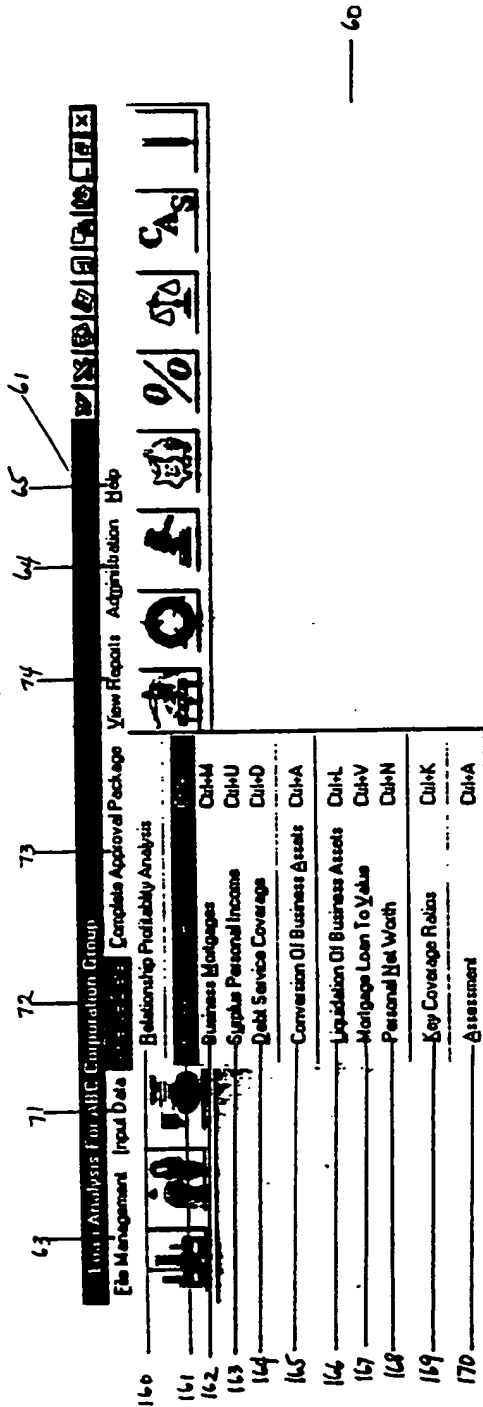
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FIGURE 13

141	Business Financials	142	143	144	145	146	146.5	146.5	
141	Income Statement	142	Related Income Statement	143	Assets	144	Liabilities and Net Worth	145	Assessment Policy
146									
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FIGURE 14



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FIGURE 15

63 Loan Analysis For ABC Corporation Group

71 File Management

72 Input Data

73 Grable Data

74 Complete Approval Package

75 View Reports

76 Adaptation

77 Help

	180a Most Recent Fiscal Year Financials	180b Internal Financials	180c Projected Financials	180d Unaudited Figures
180a Business Net Income	836	122	236	
180b Business Description & Assets	32	32	36	36
180c Business Interest	62	62	140	140
180d Dividends & Distributions	200	0	54	0
180e Other Adjustments				
180f BUSINESS INCOME	730	216	358	316
180g Comments	<p>I have utilized the stabilized income of the firm, as measured by the annualized interim statements. These are acceptable as they are in line with the earnings achieved last year.</p>			

✓ Save
⊗ Cancel

181 Start

182 End Windows

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Loans

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FIGURE 16

CONVERSION OF BUSINESS ASSETS											
Most Recent Fiscal Year Financials		Initial Financials		Projected Financials		Unaudited Figures		Conversion Factor		Conversion Value	
197	ELIGIBLE RECEIVABLES	1038	1350	1070	68.5 %	325,375					
198	Projected Percentage Change	0 %	Projected Dollar Change	0							
200	PROJECTED ELIGIBLE RECEIVABLES			199	475	325,375					
201	INVENTORY	1550	1626	1162	581	174.3					
202	PROJECTED INVENTORY	203	21 Switch	581	174.3						
204	COLLATERAL	206	21 Switch								
205	ELIGIBLE ASSETS FOR CONVERSION				1055	459,675					
207	PROJECTED ELIGIBLE ASSETS FOR CONVERSION				1055	459,675					
210	CONVERTIBLE FINANCIALS	210a	210b	210c	211						
	Projected	Outstanding	Amount								
	Line Of Credit		450								
Conv. Of Business Assets Coverage Ratio Based On										209	
ELIGIBLE ASSETS — 209										1.11039	
<input checked="" type="checkbox"/> Save <input type="radio"/> Cancel										2/2	2/3

60

FIGURE 17

310

Loan Analysis For ABC Corporation Group
Eto Management

SUMMARY OF KEY COVERAGE RATIOS

311 Primary Repayment Source
Debt Service 311a 6.82472 6.82472
Coverage Of Business Assets 311b 1.11039 1.11039

312 Additional Repayment Source
Liquidation Of Total Assets To Non Mortgage Facilities 312a

313 Direct Coverage (If Applicable)
Full Amortization Debt Service 313a 3.04521 3.04521
Non Mortgage Scheduled Debt 313b

314 Mortgages Only 314a 314b 314c 314d 314e
Product Amount Appraised Value Loan To Value (LTV) Special Use
Mortgage - First 175 525 33.33334 No

315 Other
Liquidation Of Business Assets To Total Facilities 315a 0.55452 0.55452
Liquidation Of Personal Assets To Total Facilities 315b 0.404
Full Amortization Debt Service (If Applicable) 315c 3.04521 3.04521

316 Close

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Windows NT Task Manager

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FIGURE 18

320
Assessment

321 Requests & Counter Offers

Counter Offer Name	DRM Value	321/b	321/c	321/d	321/e	321/f
Customer Request	5					
Counter Offer #1	5					

322

323 Analyze

324 Products in Request / Counter Offer

Product	Amount	Rate	Amortization	Maturity Date	Status
Line Of Credit	450	9.5	5	5/1/98	Pending
Modular - First	175	10.25	20	5/1/2007	Pending

325

326 Analysis Results

Analysis Results	326/b	326/c	326/d	326/e	326/f
Decision Recommendation	APPROVE				682472
Credit Quality		3.0			1.11039
DRM		326/g			0.55452
RDA		326/h			0.4404

327

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FIGURE 19

Credit Assessment Details

341 Decision Recommendation: **GOOD** Rating: **3.0**

342 Credit Quality: **GOOD**

343

344 **Overrides** 345

346 **Red Flags** 347

348

- Repayment sources is **GOOD** (4.7 of 5)
- D/c is 6.82 coverage ratio (.7 of 1.3)
- Additional sources is **EXCELLENT** (.5 of 2.8)
- Additional d/c is 3.05 ratio to debt payments (.1 of .9)
- Character is **GOOD** (1.3 of 2)
- Banking relationship is **AVERAGE** (.7 of 2)

349 **Subjective Report** 350

350a Assessment: **SATISFACTORY** Rating: **0**

350b Assessment: **GOOD** Rating: **1.3**

350c Assessment: **MARGINAL** Rating: **0**

350d Assessment: **POOR** Rating: **4.7**

350e Assessment: **SATISFACTORY** Rating: **0**

350f Assessment: **AVERAGE** Rating: **2**

350g Assessment: **GOOD** Rating: **4.7**

350h Assessment: **MARGINAL** Rating: **2**

350i Assessment: **POOR** Rating: **4.7**

350j Assessment: **SATISFACTORY** Rating: **0**

350k Assessment: **AVERAGE** Rating: **2**

350l Assessment: **GOOD** Rating: **4.7**

350m Assessment: **MARGINAL** Rating: **2**

350n Assessment: **POOR** Rating: **4.7**

350o Assessment: **SATISFACTORY** Rating: **0**

350p Assessment: **AVERAGE** Rating: **2**

350q Assessment: **GOOD** Rating: **4.7**

350r Assessment: **MARGINAL** Rating: **2**

350s Assessment: **POOR** Rating: **4.7**

350t Assessment: **SATISFACTORY** Rating: **0**

350u Assessment: **AVERAGE** Rating: **2**

350v Assessment: **GOOD** Rating: **4.7**

350w Assessment: **MARGINAL** Rating: **2**

350x Assessment: **POOR** Rating: **4.7**

350y Assessment: **SATISFACTORY** Rating: **0**

350z Assessment: **AVERAGE** Rating: **2**

351 **Subjective assessments total -2.44 (range -1.3 to 2.20)**

352 **View Graph**

353 **Done**

354 **Start** **End Windows** **Microsoft PowerPoint** **Windows NT Task...** **Loans**

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FIGURE 20

346

Credit Assessment Details

Decision Record: **APPROVE**

Credit Quality: **GOOD**

Rating: **23.98145**

355

Explanations

Overall: Credit assessment (level 1) is GOOD (3.0 of 19) because: Repayment sources (level 2) is GOOD (4.7 of 5) and Character (level 2) is GOOD (1.3 of 2) and Banking relationship (level 2) is AVERAGE (.7 of 2) although Company background (level 2) is POOR (-.9 of -.5.0) and Financial condition (level 2) is MARGINAL (-2 of -.5) and Loan structure (level 2) is MARGINAL (-.8 of -.2) and Industry outlook (level 2) is SATISFACTORY and Information quality (level 2) is SATISFACTORY and Compliance (level 2) is SATISFACTORY.

Level 2:

Repayment sources (level 2) is GOOD because: Additional sources (level 3) is EXCELLENT (2.8 of 5) and Primary source (level 3) is GOOD (1.9 of 3.0) and Collateral (level 3) is NOT-FULLY-SECURED.

Company background (level 2) is POOR because Changes (level 3) is MAJOR-CHANGE (-.8 of -.3.0) and Profile (level 3) is POOR (-.1 of -.1.0) although Management (level 3) is SATISFACTORY (0 of 2.5).

Character (level 2) is GOOD because: Personal (level 3) is SATISFACTORY (.7 of 1.3) and Business Integrity (level 3) is SATISFACTORY (.6 of .7).

Financial condition (level 2) is MARGINAL because: Operating cash flow (level 3) is MARGINAL (-1 of -.22.00) and Liquidity (level 3) is POOR (-2 of -.41.74) although Leverage (level 3) is GOOD (1 of 3.25) and Profitability (level 3) is AVERAGE and Sales trend (level 3) is AVERAGE.

Banking relationship (level 2) is AVERAGE because: Borrowing history (level 3; weighted 0.50) is EXCELLENT (.7 of 1.5) and Deposit history (level 3; weighted 0.50) is AVERAGE (0 of .5) and Relationship profitability is NA.

Level 3:

Liquidity (level 3) is POOR because: Operating levels (level 4) is POOR (-1.5 of -.23.10) and Quick ratio (level 4) is POOR (-.5 of -.8.64) and Current ratio (level 4) is 1.49 ratio.

356

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FIGURE 21

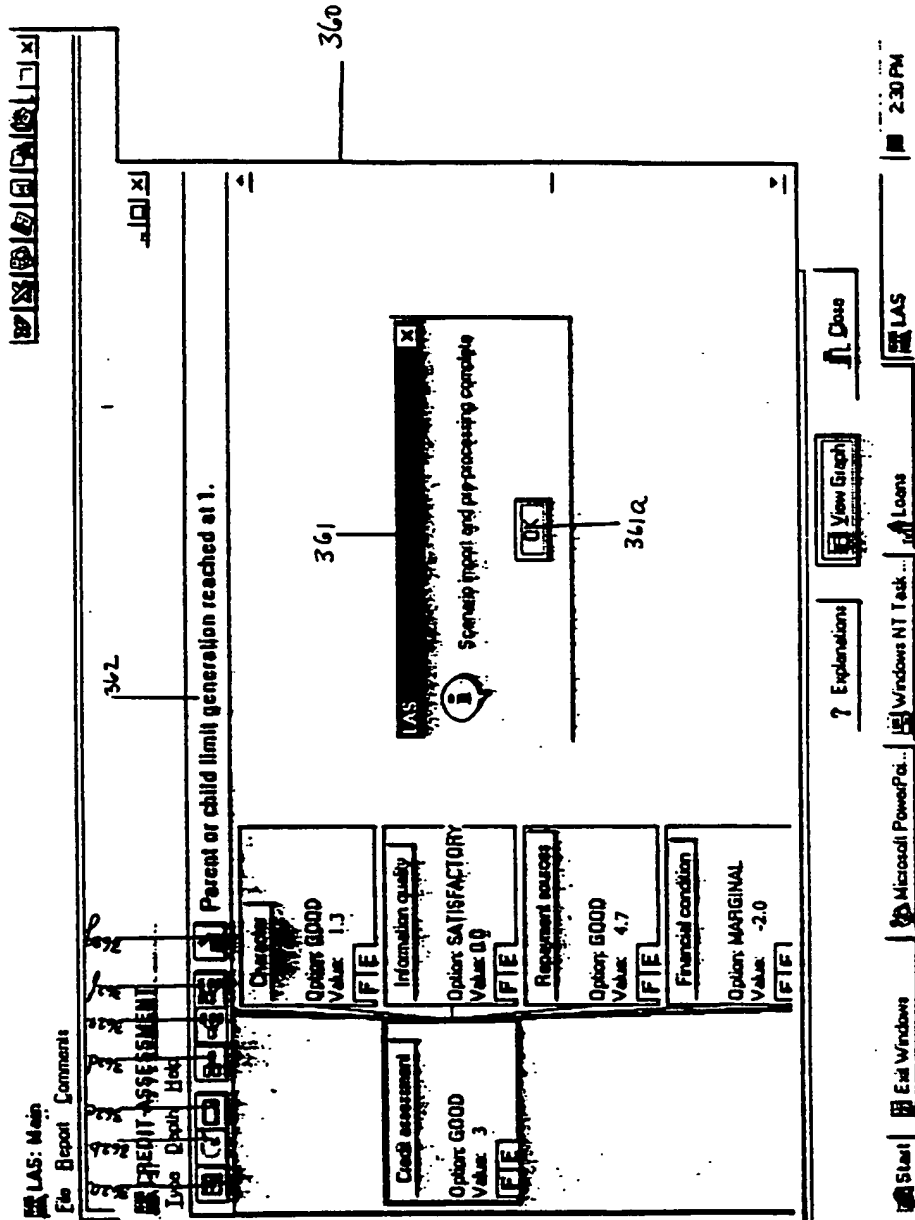
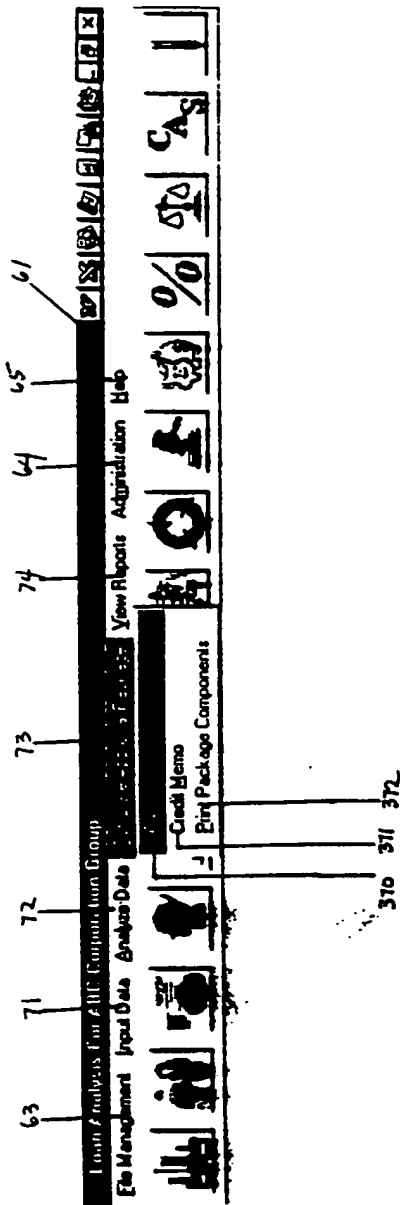


FIGURE 22



60

FIGURE 23

380

381 Credit Approval Summary
 Credit Approval Summary
 381a Increase 381b Review 381c Extension 381d Classification 381e Cancellation 381f

382 Relationship Map
 ABC Corporation Group
 Approving Unit 382a
 P & P Credit Center
 P & P 382b
 Revision Date 382c
 9/30/1997
 Address Classification 382d
 Current
 Previous Report Date 382e
 7/97

383 TOTAL FACILITIES- 383a
 383b
 625
 383c
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384 Primary Business 111 Main Street
 Address NY 00501
 Jamaica Queens

385 Equipment & SIC 4214

386 Key Background Information
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387 New Report 387a
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388 Microsoft PowerPoint - IP... Windows NT Task Manager
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FIGURE 24

380

Credit Approval Summary

RF - 395 RDA - 396

397	Critical RACs
398	Probable RACs
399	Target Market / Other RACs

400

Propose QI Report

To request the approval of a new line of credit and mortgage to this prospect.

401

Description of New B & P Facility

None

View Report Close

392 393

Start End Windows Microsoft PowerPoint - [P...] Windows NT Task Manager 2:59 PM

FIGURE 25

280

Credit Approval Summary

Description Of Total Facilities And Security — 405

Customers — 406

NAME	406a
ABC Operations, Inc	
ABC Ready Company	
TSR ID	406b
238472983	
727342734	

Description Of Other Security — 408

None

Products — 410

Product	410a
Line Of Credit	
Amount	410b
450	

Comments

412

The line will replace the existing \$500M line at Main Street Bank.

View Report

342

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FIGURE 27

430

431 Relationships Name

432 Responsible Officer Jones

433 Date 4/10/1997

434c Debt Service Coverage 6.82472

434c Conversion of Business Assets 1.11039

435c Existing Assets Assessment APPROVE

436c Decision Recommendation APPROVE

435d Any Factor That The System Did Not Evaluate

435e Key Strengths / Weaknesses

436e

437

437a Repayment sources is GOOD (.47 of 3.0)

437b Dto is 6.82 coverage ratio (.7 of 1.3)

437c Additional sources is EXCELLENT (.5 of 2.8)

437d Additional dto is 3.05 ratio to debt payments (.1 of .9)

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FIGURE 28

430

First Name

440a

Deposits Since 2/1/1981

440b

Line / BRC Clean Up Required?

440c

Clean Up Accomplished?

440d

Clean Up Satisfactory?

441

Banking Relationship

441a

Banking Relationship Points - 441

441c

Banking relationship is AVERAGE (.7 of 2.0) because: Borrowing history is EXCELLENT (.7 of 1.5) and Deposit history is AVERAGE (0 of .5) and Relationship probability is NA

441d

442

Character

441e

436

437

View Report

Close

430

3:20 PM

Microsoft PowerPoint - IP ...

Windows NT Task Manager

Start

End Windows

Loans

BEST AVAILABLE COPY

FIGURE 29

452 450

Credit Memo

Relationship Name ABC Corporation Group

Responsible Officer Jones

Date / Time 4/11/00 3:22:10 PM

Page 1

Request Date 4/10/00

Summary And Conclusion

<p>Debt Service Coverage 0.92972</p> <p>Conversion Of Business Assets 1.1000</p> <p>Full Amortization DSC 3.04221</p> <p>Expert System Assessment</p>	<p>Liquidation Coverage 0.55482</p> <p>Personal Asset Coverage 0.4404</p>	<p>Credit Quality Assessment 0000</p> <p>Rating 23.05145</p>
---	---	--

Any Factors That The System Did Not Evaluate

Key Strengths / Weaknesses

- * Repayment source is GOOD (0.18 of 73.00)
- * De is 0.02 coverage ratio (0.07 of 0.07)
- * Additional source is EXCELLENT (26.05 of 43.00)
- * Additional de is 3.05 ratio to debt payments (0.35 of 0.35)
- * Current ratio is GOOD (14.72 of 22.00)
- * Banking relationship is AVERAGE (12.05 of 32.00)
- * Financial condition is MARGINAL (22.75 of 120.91)
- * Operating level is POOR (0.03 of 23.50)

Start

End Windows

Microsoft PowerPoint - P...

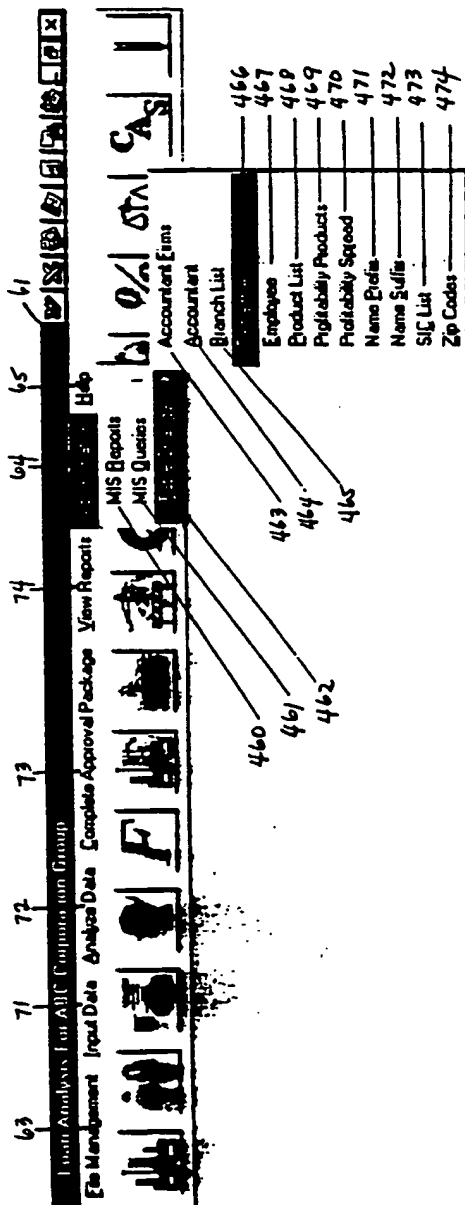
Windows NT Task Mana...

Loans

Page 1 of 7

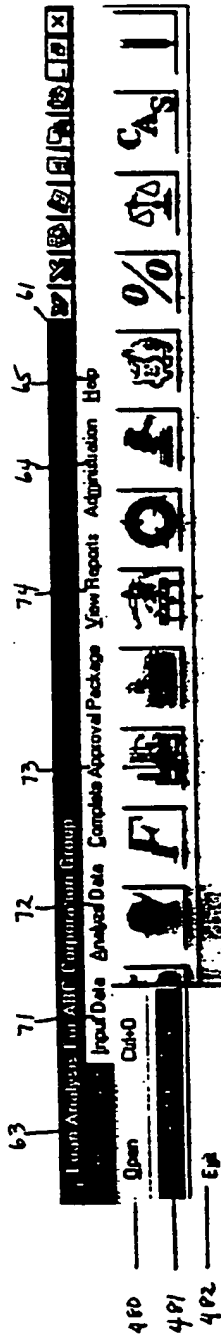
3:24 PM

FIGURE 30



60

FIGURE 31



— 60



FIGURE 32

Loan Analysis For ABC Corporation Group
File Management Input Data Analyze Data Complete Approval Package View Reports Administration Help

Status For Customer Request

491 ☒ Pending As Of Today ☐ Approved — 491a ☐ Booked — 491c ☐ Decided — 491b ☐ Withdrawn/Terminated — 491d

Reason For Withdrawal / Termination

492

490

493 — Decision Validation — 494

495a — Did The System Recommend The Correct Decision For The Deal Structure And Amount Last Reviewed?

495b — How Would You Rate The System's Accuracy In Terms Of Identifying And Weighing The Strengths And Weaknesses?

495c — How Would You Rate The System's Completeness In Terms Of Capturing The Key Factors You Analyzed In The Deal?

495d — How Would You Judge The Difficulty In Analyzing The Deal From A Credit Perspective Taking Into Account Loan And Corporate Structure, Industry, Key Risks And Credit Characteristics?

495e — What Was Your Assessment Of The Quality Of The Credit Request Based On The Final Deal Structure?

495f — How Would You Judge The Adequacy Of The Features Of The Program Provided To Help You Analyze The Company Risk To Final And Prepare An Approval Package?

☐ Yes ☒ No

Accurate

Somewhat Complete

Fairly Easy

Good

Good

Start | End Windows | Microsoft PowerPoint - IP... | Windows NT Task Manager | Loans

3:30 PM

497

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FIGURE 33

The screenshot displays a software application window titled "Loop Analysis For ABC Corporation Group". The window has a menu bar with options: "File Management", "Input Data", "Analysis Data", "Complete Approval Package", "View Reports", "Activation", and "Help". Below the menu bar is a toolbar with icons for file operations. The main window is divided into several sections:

- Status For Customer Request:** A section on the left with a tab labeled "Status For Customer Request". It contains a list of items with checkboxes:
 - ☒ Approved
 - ☒ Declined
 - ☒ Backed
 - ☒ Withdrawn / Terminated
- Reason For Withdrawal / Termination:** A text area on the right of the status section.
- Decision Validation - Comments:** A section with a tab labeled "Decision Validation - Comments" and a value of "994".
- Describe The Issue/Misfit From The Expert System Analysis And It's Impact On The Analysis:** A large text area containing the following text:

I would review the way the system deals with customer concentration. Perhaps there are other questions that could be asked about alternatives the customer has if a major customer leaves.
- Describe The Incorrect System Weights / Analysis:** A section with a tab labeled "Describe The Incorrect System Weights / Analysis" and a value of "994". It contains the following text:

I think the overall weighting is accurate. Possibly the weighting on seasonally should be reviewed.

At the bottom of the window is a taskbar with the following elements:

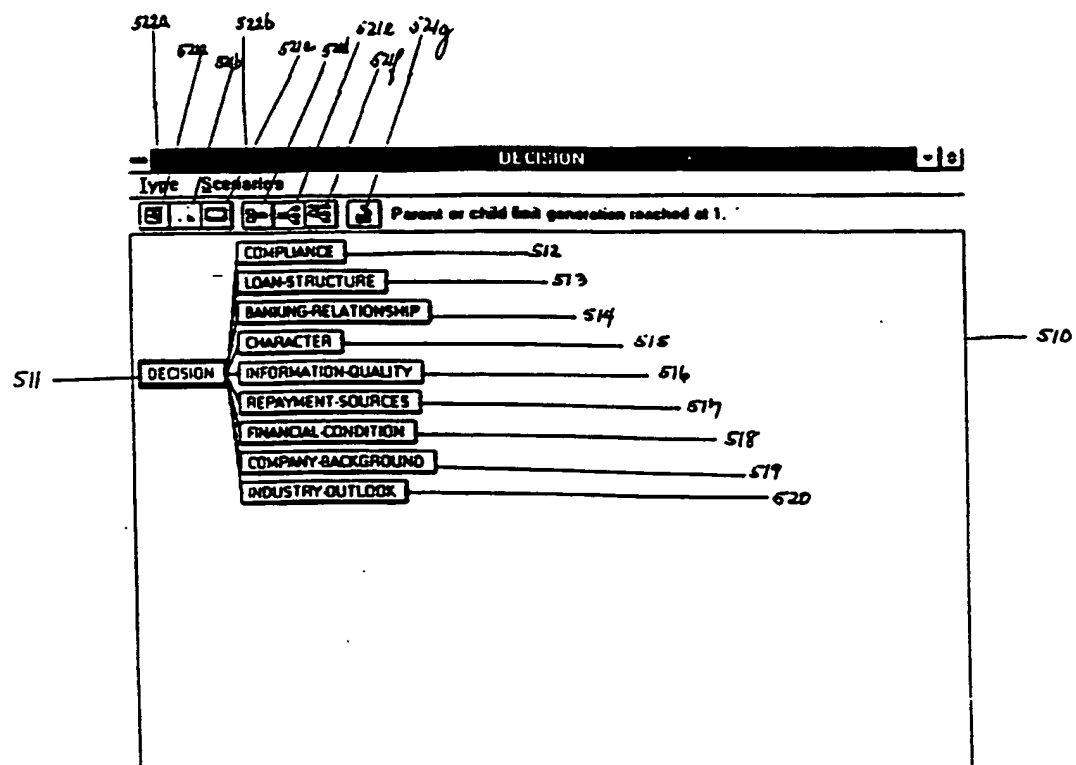
- Start:** A button labeled "Start".
- End Windows:** A button labeled "End Windows".
- Microsoft PowerPoint - JP...:** A button labeled "Microsoft PowerPoint - JP...".
- Windows NT Task Manager:** A button labeled "Windows NT Task Manager".
- Loans:** A button labeled "Loans".
- System Clock:** A clock showing "3:39 PM".

Handwritten annotations are present on the image:

- "491" is written near the "Approved" checkbox.
- "493" is written near the "Decision Validation - Comments" tab.
- "500" is written near the "Describe The Issue/Misfit..." text area.
- "492" and "490" are written near the "Reason For Withdrawal / Termination" text area.
- "494" is written near the "Describe The Incorrect System Weights / Analysis" tab.
- "496" and "494" are written near the taskbar buttons.

37 / 47

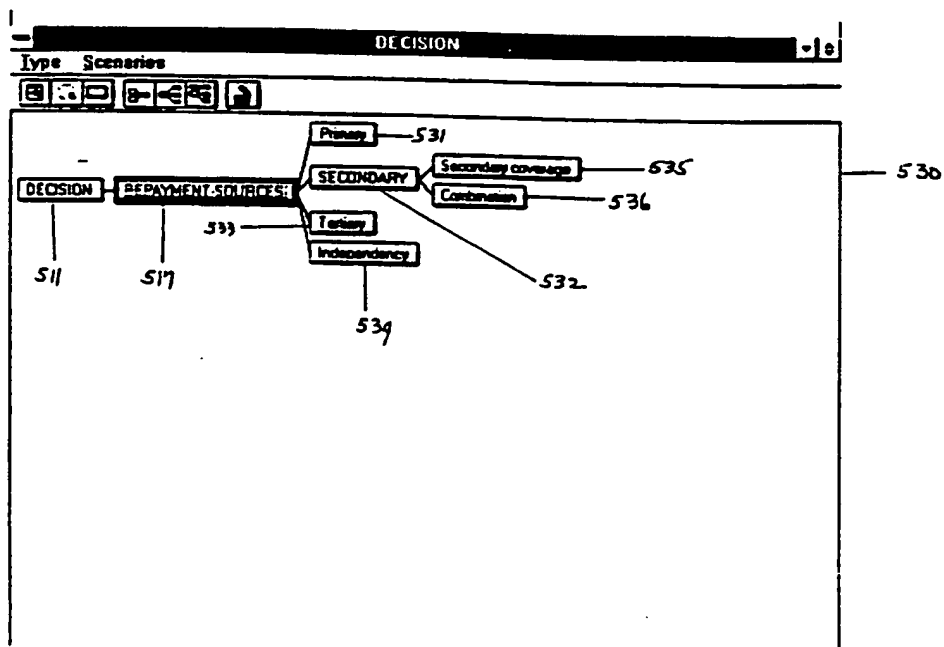
FIGURE 34



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FIGURE 35

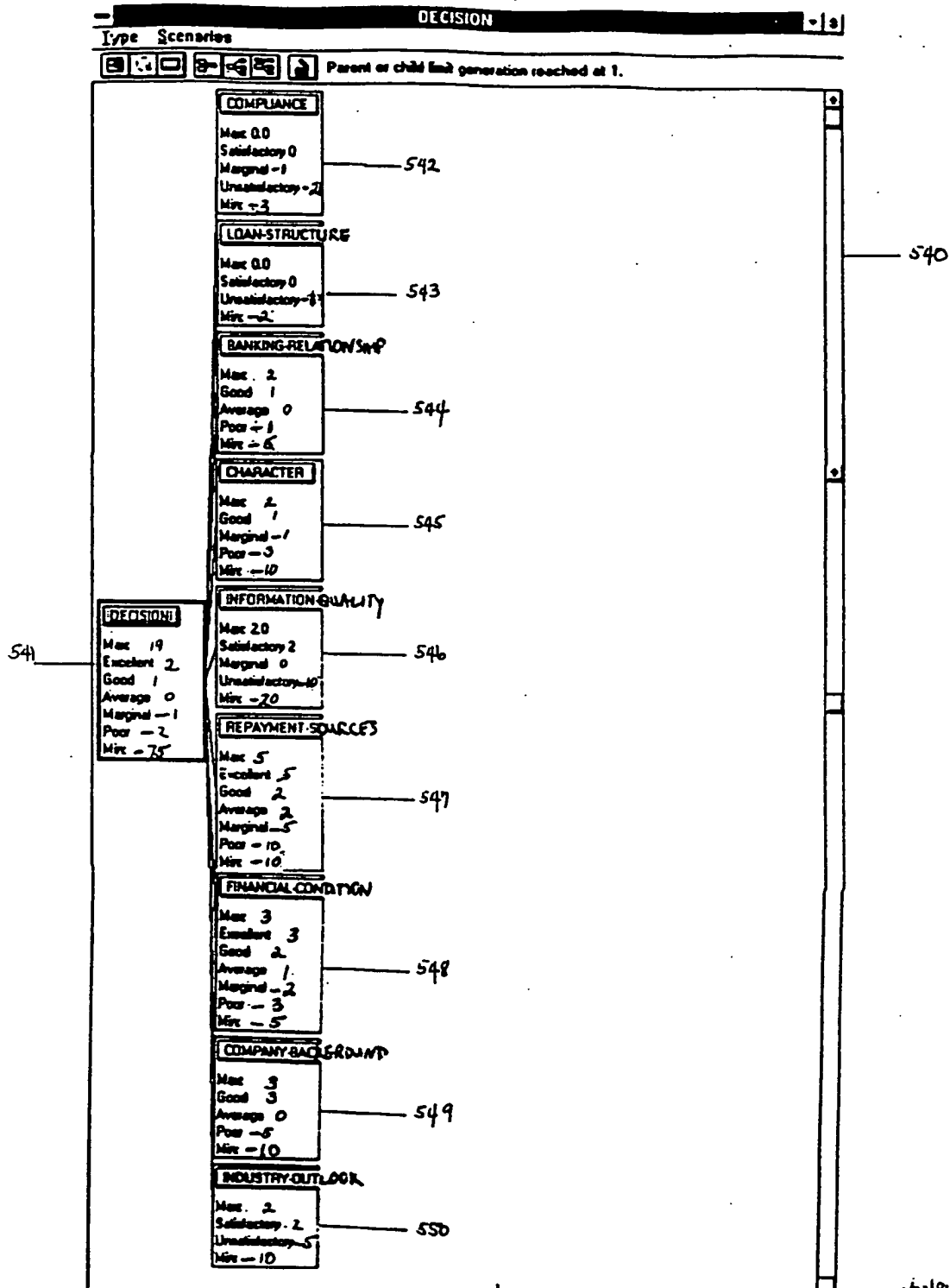


10/21/96

4

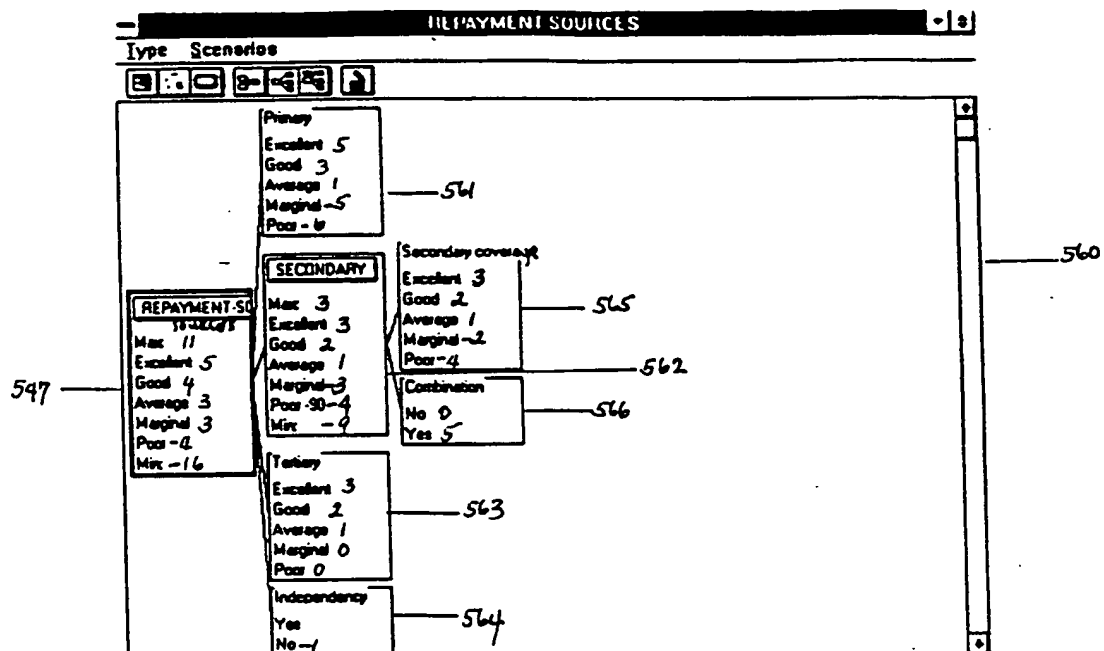
BEST AVAILABLE COPY

FIGURE 36



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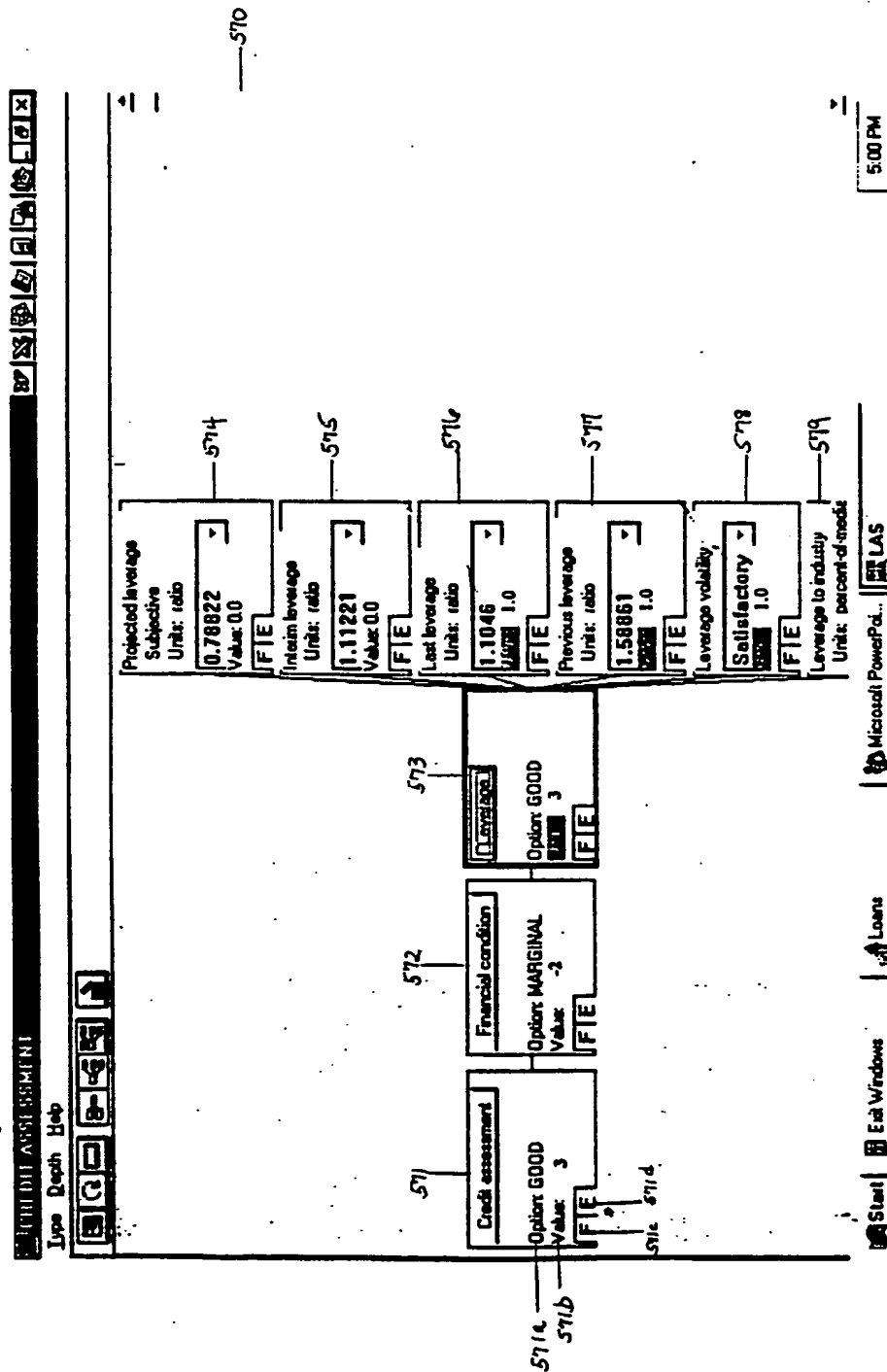
FIGURE 37



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FIGURE 38

As you transverse down all the way to the risk factor level you will see the values of the factors themselves



P7

FIGURE 39

This shows some additional features of the graphical representation

CREDIT-ASSESSMENT
Type Depth Help

Parent or child limit generation reached at 1.

571c In-Target Value: 0.0	571d RIFIE	571e Business location	571f In-Target Value: 0.0	571g RIFIE	571h Sales size	571i In-Target Value: 0.0	571j RIFIE	571k Security position	571l Satisfactory Value: 0.0	571m RIFIE	571n Industry	571o Acceptable Value: 0.0	571p FLOE	571q Know your customer	571r Acceptable Value: 0.0	571s FLOE	571t Link with external	571u Loans
571v Compliance	571w Optimal SATISFACTORY Value: 0.0	571x RIFIE	571y Know your customer	571z Acceptable Value: 0.0	572a FLOE	572b Link with external	572c Loans	572d Start	572e Exit Windows	572f Windows NT Task Manager	572g LAS	572h 10:36 AM						

571a
Legal structure

571b
In-Target
Value: 0.0

571c
RIFIE

571d
Business location

571e
In-Target
Value: 0.0

571f
RIFIE

571g
Sales size

571h
In-Target
Value: 0.0

571i
RIFIE

571j
Security position

571k
Satisfactory
Value: 0.0

571l
RIFIE

571m
Industry

571n
Acceptable
Value: 0.0

571o
FLOE

571p
Know your customer

571q
Acceptable
Value: 0.0

571r
FLOE

571s
Link with external

571t
Loans

571u
Start

571v
Exit Windows

571w
Windows NT Task Manager

571x
LAS

571y
10:36 AM

571z
Explanation

572a
Legal Structure is derived from ABC Operations, Inc is C-Corp which is in target, ABC Really Company is General Partnership which is in target

572b
OK

FIGURE 40

This is the view you can obtain as you navigate through the risk assessment model, which is in the shape of a family tree

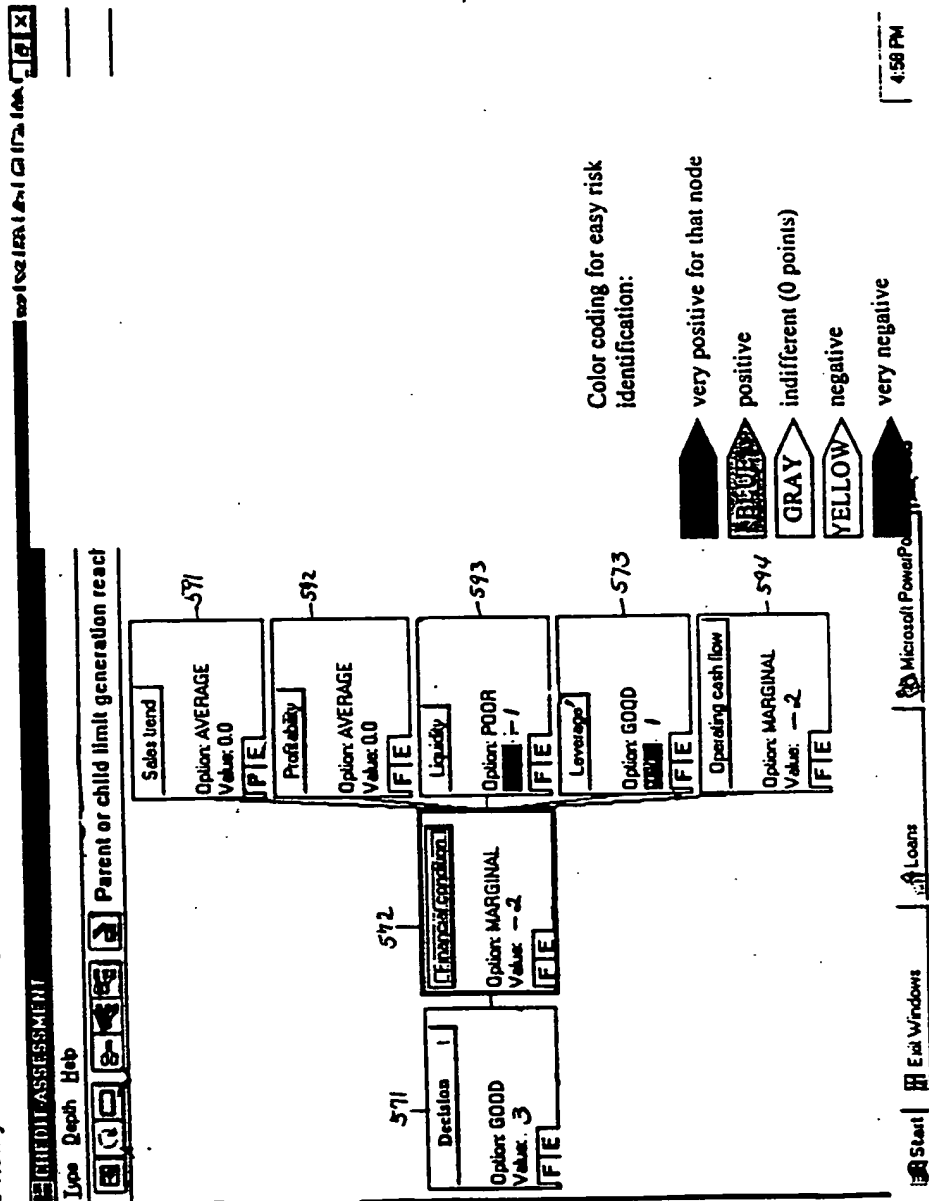


FIGURE 41

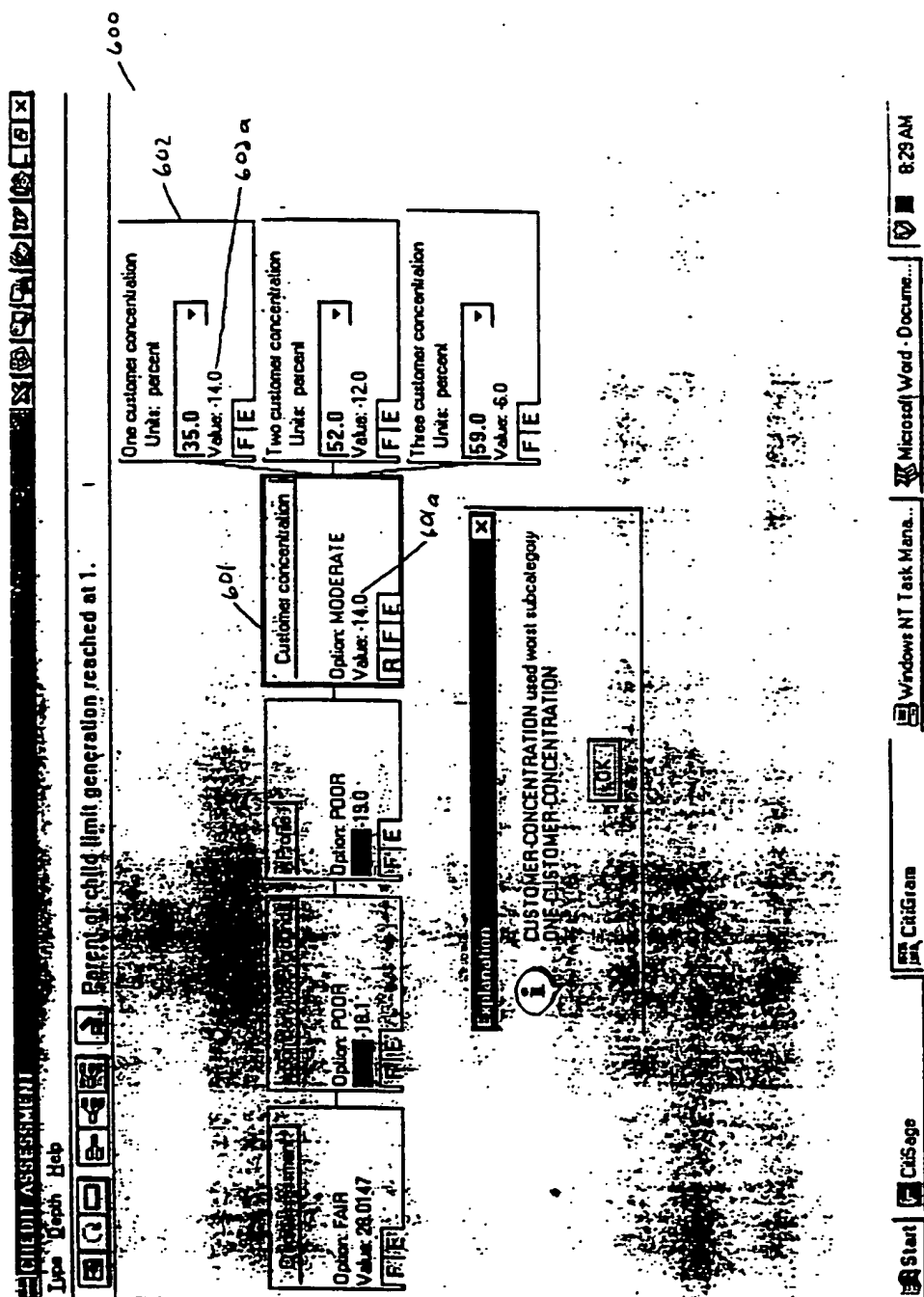


FIGURE 42

Credit assessment Option: FAIR Value: 28.0147 FILE	Repayment sources Option: GOOD Value: 43.18 FILE	Additional sources Option: EXCELLENT Value: 26.9617 FILE	Non mortgage secondary coverage Pos. Wgt.: 0.72 Option: GOOD Value: 7.2 FILE	Liquidation coverage Units: ratio-to-non-mortg 1.38184 30307 FILE	Distress coverage Option: EXCELLENT Value: 100 FILE
---	---	---	--	---	--

610

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613a

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611

611a

Explanation

NON MORTGAGE SECONDARY COVERAGE used best subcategory DISTRESS COVERAGE

OK

FIGURE 43

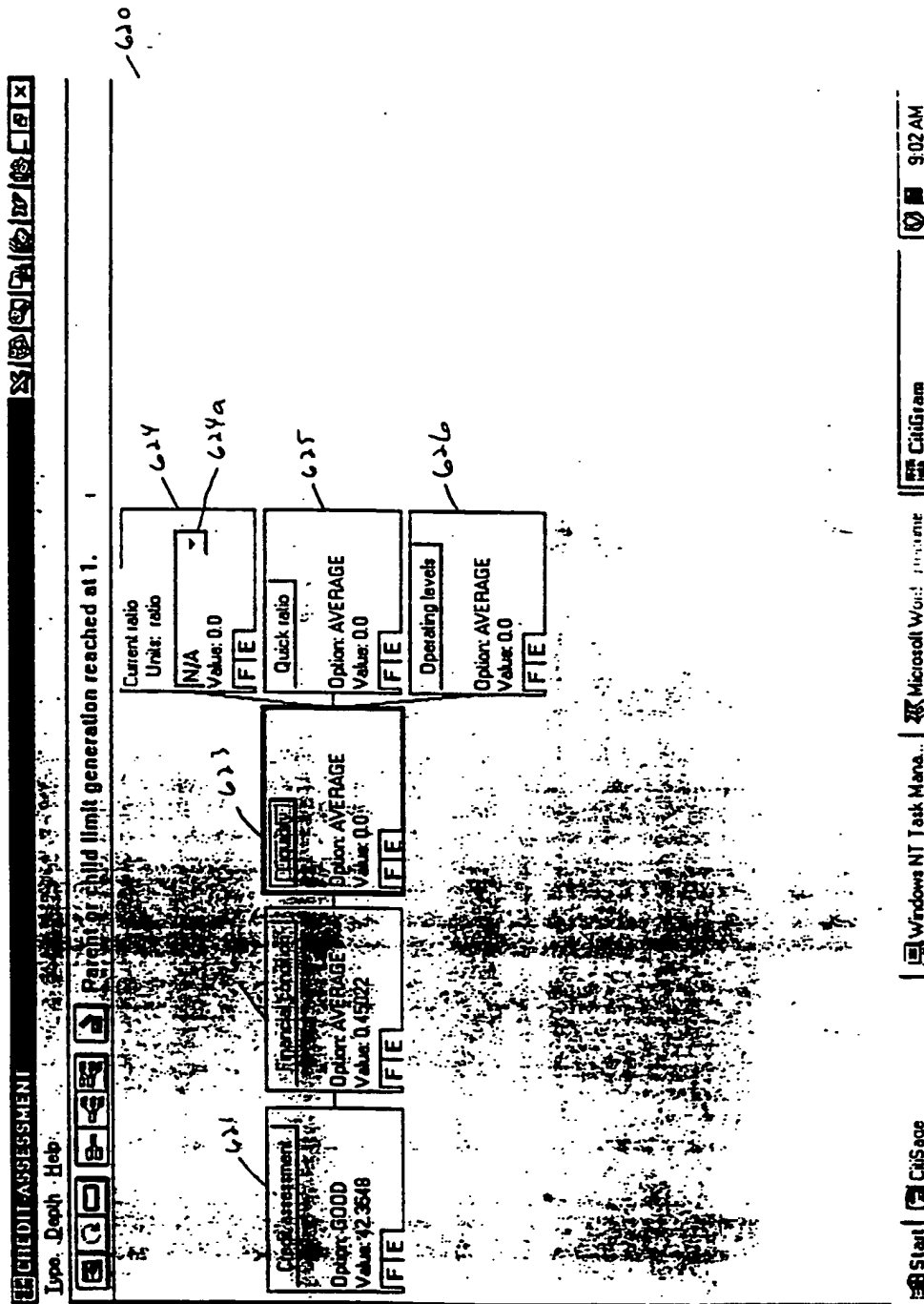


FIGURE 44

FIGURE 44 is a screenshot of a software interface titled "CREDIT ASSESSMENT". The interface displays a "Parent of child limit generation reached at 1." message. The main area contains a grid of assessment criteria, each with a dropdown menu and a "Value" field. The criteria are: Credit assessment (Option: VERY POOR, Value: 0.0), Compliance (Option: UNSATISFACTORY, Value: 0.0), Local office (Option: RIFE, Value: 0.0), Business location (Option: Downtown, Value: 0.0), Size (Option: RIFE, Value: 0.0), In-target (Option: RIFE, Value: 0.0), Security position (Option: RIFE, Value: 0.0), Satisfactory (Option: RIFE, Value: 0.0), Industry (Option: RIFE, Value: 0.0), Acceptable (Option: RIFE, Value: 0.0), Know your customer (Option: Subjective, Value: 0.0), and Industry (Option: RIFE, Value: 0.0). The interface also includes a status bar at the bottom with "Start", "CUS app", "Windows NT Task Mana...", "Microsoft Word - PAT14...", "CUS app", and a clock showing "10:10 AM".

Criteria	Option	Value
Credit assessment	Option: VERY POOR	Value: 0.0
Compliance	Option: UNSATISFACTORY	Value: 0.0
Local office	Option: RIFE	Value: 0.0
Business location	Option: Downtown	Value: 0.0
Size	Option: RIFE	Value: 0.0
In-target	Option: RIFE	Value: 0.0
Security position	Option: RIFE	Value: 0.0
Satisfactory	Option: RIFE	Value: 0.0
Industry	Option: RIFE	Value: 0.0
Acceptable	Option: RIFE	Value: 0.0
Know your customer	Option: Subjective	Value: 0.0
Industry	Option: RIFE	Value: 0.0

INTERNATIONAL SEARCH REPORT

International application No.

PCT/US98/15803

A. CLASSIFICATION OF SUBJECT MATTER

IPC(6) :G06K 15/00

US CL :705/38

According to International Patent Classification (IPC) or to both national classification and IPC

B. FIELDS SEARCHED

Minimum documentation searched (classification system followed by classification symbols)

U.S. : 705/38

Documentation searched other than minimum documentation to the extent that such documents are included in the fields searched

Electronic data base consulted during the international search (name of data base and, where practicable, search terms used)

APS

C. DOCUMENTS CONSIDERED TO BE RELEVANT

Category*	Citation of document, with indication, where appropriate, of the relevant passages	Relevant to claim No.
X	US 5,574,828 A (HAYWARD et al.) 12 November 1996, col. 4, lines 1-6, col. 4, lines 30-35, col. 6, lines 14-17, col. 5, lines 32-41, col. 3, lines 50-53), col. 3, lines 37-43, fig. 22, col. 2, lines 11-25, figs. 78-81, 86, col. 4, lines 8-15, abstract..	1-24, 28-47, 49, 51, 52, 55-58, 60-61
X	US 5,262,941 A (SALADIN et al.) 16 November 1993, figs. 1-4	53



Further documents are listed in the continuation of Box C.



See patent family annex.

* Special categories of cited documents:	*T* later document published after the international filing date or priority date and not in conflict with the application but cited to understand the principle or theory underlying the invention
A document defining the general state of the art which is not considered to be of particular relevance	*X* document of particular relevance; the claimed invention cannot be considered novel or cannot be considered to involve an inventive step when the document is taken alone
B earlier document published on or after the international filing date	*Y* document of particular relevance; the claimed invention cannot be considered to involve an inventive step when the document is combined with one or more other such documents, such combination being obvious to a person skilled in the art
L document which may throw doubts on priority claim(s) or which is cited to establish the publication date of another citation or other special reason (as specified)	*A* document member of the same patent family
O document referring to an oral disclosure, use, exhibition or other means	
P document published prior to the international filing date but later than the priority date claimed	

Date of the actual completion of the international search

14 NOVEMBER 1998

Date of mailing of the international search report

21 JAN 1999

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